



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

FEBRUARY 2009

Selected financial data

	In PLN '000		In EUR '000**	
	Fourth quarter growing period from 01/01/08 to 31/12/08	Fourth quarter growing period from 01/01/07 to 31/12/07	Fourth quarter growing period from 01/01/08 to 31/12/08	Fourth quarter growing period from 01/01/07 to 31/12/07
Data related to summary consolidated financial statements				
Interest income	2,318,624	1,976,851	656,443	523,420
Fee and commission income	721,122	871,142	204,162	230,656
Profit before tax	871,036	1,034,225	246,606	273,836
Net profit	688,378	824,215	194,892	218,231
Increase of net cash	(138,793)	2,425,161	(39,295)	642,121
Total assets	42,825,427	38,907,984	10,263,979	10,862,084
Financial liabilities valued at amortized cost	29,345,498	28,000,003	7,033,242	7,816,863
Shareholders' equity	5,713,753	5,603,084	1,369,416	1,564,233
Share capital	522,638	522,638	125,261	145,907
Number of shares	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	43.73	42.88	10.48	11.97
Capital adequacy ratio (%)	11.99	12.86	11.99	12.86
Earnings per ordinary share (PLN / EUR)	5.27	6.31	1.49	1.67
Diluted net profit per ordinary share (PLN / EUR)	5.27	6.31	1.49	1.67

Data related to summary financial statements of the Bank				
Interest income	2,241,614	1,936,192	634,641	512,654
Fee and commission income	664,789	794,956	188,214	210,484
Profit before tax	910,045	1,010,024	257,650	267,429
Net profit	733,695	808,168	207,722	213,982
Increase of net cash	(133,971)	2,436,826	(37,930)	645,209
Total assets	41,520,843	38,008,361	9,951,309	10,610,933
Financial liabilities valued at amortized cost	28,292,118	27,443,267	6,780,778	7,661,437
Shareholders' equity	5,627,481	5,476,078	1,348,740	1,528,777
Share capital	522,638	522,638	125,261	145,907
Number of shares	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	43.07	41.91	10.32	11.70
Capital adequacy ratio (%)	11.59	12.06	11.59	12.06
Earnings per ordinary share (PLN / EUR)	5.62	6.19	1.59	1.64
Diluted net profit per ordinary share (PLN / EUR)	5.62	6.19	1.59	1.64
Declared or distributed dividends per ordinary share (PLN / EUR)*	4.75	4.10	1.14	1.14

* The presented ratios are related to, respectively: paid dividends in 2008 from the appropriation of the 2007 profit as well as paid dividends in 2007 from the appropriation of the 2006 profit.

** The following foreign exchange rates were applied to transfer PLN into EUR: for the balance sheet - NBP mid exchange rate as at 31 December 2008 - PLN 4.1724 (as at 31 December 2007: PLN 3.5820); for the income statement - the arithmetic average of month - end NBP exchange rates in first, second, third and fourth quarter 2008 - PLN 3.5321 (in first, second, third and fourth quarter 2007: PLN 3.7768).

CONTENTS

<i>Consolidated income statement</i>	4
<i>Consolidated balance sheet</i>	5
<i>Consolidated statement of changes in equity</i>	6
<i>Summary consolidated statement of cash flows</i>	6
<i>Supplementary notes to the consolidated financial statements</i>	7
1. General information about the Bank's Capital Group	7
2. Basis of preparation of the report	7
3. Macroeconomic Trends and Conditions Prevailing in Money, FX and Capital Markets	8
4. Banking Sector	10
5. Financial analysis of the Group's Results	10
6. Segmental reporting	15
7. Activities of the Group in the third quarter of 2008	17
8. Seasonality or cyclical nature of business activity	29
9. Issue, buyout and repayment of debt and equity securities	29
10. Paid or declared dividends	29
11. Changes in the Group's structure	29
12. Major events after the balance sheet date not included in the financial statements	30
13. Movements in off-balance sheet commitments	30
14. Achievement of 2008 forecast results	30
15. Information about shareholders	30
16. Ownership of issuer's shares by managing and supervising officers	31
17. Information on pending proceedings	31
18. Information about significant transactions with related entities	32
19. Information about guarantee agreements	32
20. Other important information	32
21. Description of Factors and Events that Might Affect the Group's Future Financial Performance	33
<i>Summary interim financial statements of the Bank – parent company</i>	34

Consolidated income statement*In thousands of PLN*

	Fourth quarter period from 01/10/08 to 31/12/08	Fourth quarter growing period from 01/01/08 to 31/12/08	Fourth quarter period from 01/10/07 to 31/12/07	Fourth quarter growing period from 01/01/07 to 31/12/07
Interest and similar income	646,745	2,318,624	526,529	1,976,851
Interest expense and similar charges	(262,693)	(952,874)	(211,765)	(772,431)
Net interest income	384,052	1,365,750	314,764	1,204,420
Fee and commission income	163,457	721,122	217,075	871,142
Fee and commission expense	(24,011)	(102,140)	(35,367)	(134,459)
Net fee and commission income	139,446	618,982	181,708	736,683
Dividend income	6,677	11,761	1,667	5,940
Net income on financial instruments and revaluation	245	371,433	92,606	422,520
Net gain on investment debt securities	19,796	57,184	12,211	30,086
Net gain on investment (capital) instruments	-	(168)	3,193	47,489
Other operating income	45,615	125,336	29,671	107,724
Other operating expenses	(9,150)	(35,924)	(8,369)	(42,659)
Net other operating income	36,465	89,412	21,302	65,065
General administrative expenses	(312,981)	(1,398,620)	(363,468)	(1,413,707)
Depreciation expense	(23,205)	(97,117)	(26,639)	(108,837)
Profit / (loss) on sale of tangible fixed assets	541	3,255	690	596
Net impairment losses	(94,308)	(153,080)	17,531	52,556
Operating income	156,728	868,792	255,565	1,042,811
Share in profits / (losses) of undertakings accounted for under the equity method	431	2,244	(114)	(8,586)
Profit before tax	157,159	871,036	255,451	1,034,225
Income tax expense	(34,667)	(182,658)	(49,648)	(210,010)
Net profit	122,492	688,378	205,803	824,215
Weighted average number of ordinary shares		130,659,600		130,659,600
Net profit per ordinary share (in PLN)		5.27		6.31
Diluted net profit per ordinary share (in PLN)		5.27		6.31
Including:				
Net profit due to shareholders of dominant entity		688,378		824,215
Net profit due to minority shareholders		-		-

Consolidated balance sheet

<i>In thousands of PLN</i>	31/12/2008	31/12/2007
ASSETS		
Cash and balances with central bank	3,530,977	3,321,503
Financial assets held-for-trading	8,012,769	5,135,708
Debt securities available-for-sale	10,814,828	6,467,638
Equity investments valued at equity method	56,056	58,388
Other equity investments	11,095	21,909
Loans and advances	17,573,296	21,205,373
<i>to financial sector</i>	3,687,319	8,718,832
<i>to non-financial sector</i>	13,885,977	12,486,541
Property and equipment	571,947	612,797
<i>land, buildings and equipment</i>	553,639	587,769
<i>investment property</i>	18,308	25,028
Intangible assets	1,283,402	1,284,078
Deferred income tax assets	312,292	374,468
Other assets	618,211	413,477
Non-current assets held-for-sale	40,554	12,645
Total assets	42,825,427	38,907,984
LIABILITIES		
Financial liabilities held-for-trading	6,813,777	4,373,146
Financial liabilities valued at amortized cost	29,345,498	28,000,003
<i>deposits from</i>	27,857,332	26,896,411
<i>financial sector</i>	7,922,260	7,085,042
<i>non-financial sector</i>	19,935,072	19,811,369
<i>other liabilities</i>	1,488,166	1,103,592
Provisions	24,578	37,548
Income tax liabilities	9	101,889
Other liabilities	927,812	792,314
Total liabilities	37,111,674	33,304,900
EQUITY		
Issued capital	522,638	522,638
Share premium	3,029,703	3,028,809
Revaluation reserve	(144,110)	(182,450)
Other reserves	1,627,692	1,454,355
Retained earnings	677,830	779,732
Total equity	5,713,753	5,603,084
Total liabilities and equity	42,825,427	38,907,984

Consolidated statement of changes in equity

<i>In thousands of PLN</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Minority share	Total equity
Balance as at 1 January 2007	522,638	3,027,470	(81,501)	1,407,081	542,115	-	5,417,803
Valuation of financial assets available-for-sale	-	-	(91,520)	-	-	-	(91,520)
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(33,109)	-	-	-	(33,109)
Deferred income tax on valuation of financial assets available-for-sale	-	-	23,680	-	-	-	23,680
Foreign exchange gains and losses	-	-	-	(3,235)	954	-	(2,281)
Net profit	-	-	-	-	824,215	-	824,215
Dividends paid	-	-	-	-	(535,704)	-	(535,704)
Transfer on capital	-	1,339	-	50,509	(51,848)	-	-
Closing balance as at 31 December 2007	522,638	3,028,809	(182,450)	1,454,355	779,732	-	5,603,084

<i>In thousands of PLN</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Minority share	Total equity
Balance as at 1 January 2008	522,638	3,028,809	(182,450)	1,454,355	779,732	-	5,603,084
Valuation of financial assets available-for-sale	-	-	104,599	-	-	-	104,599
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(57,184)	-	-	-	(57,184)
Deferred income tax on valuation of financial assets available-for-sale	-	-	(9,075)	-	-	-	(9,075)
Foreign exchange gains and losses	-	-	-	5,548	-	-	5,548
Net profit	-	-	-	-	688,378	-	688,378
Dividends paid	-	(615)	-	-	(620,982)	-	(621,597)
Transfer on capital	-	1,509	-	167,789	(169,298)	-	-
Closing balance as at 31 December 2008	522,638	3,029,703	(144,110)	1,627,692	677,830	-	5,713,753

Summary consolidated statement of cash flows

<i>In thousands of PLN</i>	Fourth quarter growing period from 01/01/08 to 31/12/08	Fourth quarter growing period from 01/01/07 to 31/12/07
Cash at the beginning of reporting period	3,746,323	1,321,162
Cash flows from operating activities	350,725	2,629,137
Cash flows from investing activities	(70,925)	(82,801)
Cash flows from financing activities	(418,593)	(121,175)
Cash at the end of reporting period	3,607,530	3,746,323
Increase / (decrease) in net cash	(138,793)	2,425,161

Supplementary notes to the consolidated financial statements

1. General information about the Bank's Capital Group

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

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

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

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

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

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

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

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

The Group consists of the following subordinated entities:

Subsidiaries	Registered office	% of votes at the General Meeting of Shareholders	
		31.12.2008	31.12.2007
<i>Entities fully consolidated</i>			
Dom Maklerski Banku Handlowego S.A.	Warsaw	100.00	100.00
Handlowy - Leasing Sp. z o.o.	Warsaw	100.00	100.00
Handlowy Investments S.A.	Luxemburg	100.00	100.00
PPH Spomasz Sp. z o.o. (under liquidation)	Warsaw	100.00	100.00
<i>Entities accounted for under the equity method</i>			
Handlowy Inwestycje Sp. z o.o.	Warsaw	100.00	100.00
Handlowy Investments II S.A.r.l.	Luxembourg	100.00	100.00
Bank Rozwoju Cukrownictwa S.A.	Poznań	100.00	100.00

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

2. Basis of preparation of the report

The interim consolidated financial statements of the Group for the fourth quarter of 2008 have been prepared in accordance with International Accounting Standards 34 "Interim financial reporting", approved by

European Union and other obligatory regulations

The interim consolidated financial statements of the Group for the fourth quarter 2008 have been prepared in accordance with accounting principles adopted and summarized in the interim consolidated financial statements of the Group for the period ending 30 June 2008.

The interim consolidated financial statements of the Group have been prepared for the period from 1 January 2008 to 31 December 2008. Comparable financial data is presented for the period from 1 January 2007 to 31 December 2007.

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

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

Spreading of the financial crisis on to economies of Central Europe led to waning of activity of Polish company in the fourth quarter of 2008. Industrial production between October and December 2008 fell by an average of 5.2% YOY compared to growth of 3.3% in the third quarter while retail sales decelerated over the same period to 4.7% YOY; from 8% in the third quarter. In the final months of 2008 the economy experienced slight easing of pressure on pay while average corporate sector pay increased in the fourth quarter by 7% YOY compared to 10.4% YOY in the third quarter.

As a result of the decline in fuel prices inflation index in the period of October and December 2008 reached 3.8% on average; clearly lower than 4.7% in the third quarter of 2008. Slowdown in food price growth also helped ease inflationary pressures.

Confronted with mounting financial crisis and deteriorating liquidity in the Polish banking system, the Monetary Policy Council began loosening monetary policy. As a result the reference rate of NBP, the central bank of Poland, was reduced in total by 100 basis points: to 5.00% as at the end of 2008. At the same time the monetary authorities began the process of feeding the banking system with zloty and foreign exchange liquidity, through repo and FX swap transactions.

The intensifying credit crisis in the fourth quarter 2008 contributed to reduced tendency to take risk by financial market investors and led to increased outflow of foreign capital from Poland. This led to evident weakening of the Polish currency: at the end of 2008 USD/PLN exchange rate reached PLN 2.96 compared to PLN 2.37 as at the end of the third quarter. The Polish currency also weakened vis-à-vis euro: at the end of the fourth quarter of 2008 EUR/PLN exchange rate reached PLN 4.17 compared to PLN 3.41 at the end of September 2008.

Outflow of portfolio capital from Poland led to temporary yet violent sell-off in Polish treasury bonds. However, as markets calmed down and the Monetary Policy Council began loosening monetary policy, Polish bond yields visibly came down. Effectively Polish two-year bond yield fell in the fourth quarter of 2008 from 6.28% to 5.33%, with 10-year bond yield falling from 6.81% to 5.46%.

The global financial crisis also led to disturbances in the money market, with short-term WIBOR rates remaining substantially above the NBP reference rate.

The negative trends observed in the Polish capital market in the earlier months deepened in the fourth quarter. The global financial market crisis and the attendant economic slowdown failed to bypass Poland. Though the internal impulse, being redemptions of investment fund units, subsided somewhat, deterioration of expectations in respect of Polish economy in 2009 led to substantial decline of stock prices on the Warsaw Stock Exchange (WSE).

All the stock market indexes fell dramatically (WIG minus 27%, WIG20 minus 25% compared to the end of the third quarter of 2008), with values at their lowest since 2005. The sector specific sub-indices registering deepest declines included WIG-Chemicals (-49%) and WIG-Developers (-39%). Worth noting is the performance of WIG-Telecommunications (-15%), which was supported by prices of Telekomunikacja Polska stock.

In the course of the fourth quarter seven new company stocks were floated on the main floor (the same number was 28 in the equivalent period a year earlier). New issues in the period of October to December 2008 exceeded PLN 2.01 billion, of which PLN 1.99 billion was raised by Enea, privatising energy utility. As at the end of 2008 the number of company stocks traded on WSE increase to 374, with market capitalisation falling in the fourth quarter by 25% to PLN 465.2 billion.

The Warsaw Stock Exchange (WSE) Equity Indices, as at 31 December 2008

Index	QOQ		YOY		31.12.2007
	31.12.2008	Percentage Change	30.09.2008	Percentage Change	
WIG	27,228.64	(27.1)	37,367.33	(51.1)	55,648.54
WIG-PL	27,167.25	(27.0)	37,207.87	(50.6)	55,011.93
WIG20	1,789.73	(24.9)	2,384.22	(48.2)	3,456.05
mWIG40	1,511.27	(32.9)	2,252.23	(62.5)	4,028.37
sWIG80	6,852.79	(27.6)	9,460.33	(56.9)	15,917.92
Sector specific sub-indices					
WIG-Banks	4,390.90	(26.3)	5,956.56	(44.8)	7,949.94
WIG-Construction	4,329.98	(28.1)	6,021.32	(50.1)	8,673.57
WIG-Chemicals**	1,823.63	(48.8)	3,563.97	-	-
WIG-Developers*	1,288.65	(39.2)	2,119.62	(73.1)	4,788.89
WIG-IT	938.77	(25.8)	1,264.77	(46.8)	1,764.67
WIG-Media	2,580.80	(22.6)	3,332.55	(47.4)	4,911.01
WIG-Fuel industry	1,889.46	(21.3)	2,401.14	(46.8)	3,548.44
WIG-Food industry	1,354.52	(26.3)	1,837.85	(59.2)	3,317.96
WIG-Telecommunications	1,107.33	(15.4)	1,308.86	(12.8)	1,270.21

* sub-index registered since 15 June 2007

** sub-index registered since 19 September 2008

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

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

	QOQ		YOY		Q4 2007
	Q4 2008	Percentage change	Q3 2008	Percentage change	
Shares (PLN m)	74,951	(0.5)	75,338	(30.3)	107,546
Bonds (PLN m)	2,276	269.5	616	305.7	561
Futures and options contracts ('000 units)	3,284	17.1	2,804	19.4	2,749

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

The trading volume in the fourth quarter of 2008 differed only slightly from that of the preceding months reaching nearly PLN 75 billion. However, in comparison to equivalent period a year earlier some significant decline in trading occurred (-30% YOY).

Bond trading reached record-highs. Total value of trading in the period of October-December reached PLN 2.28 billion, which translated into 270% growth compared to the third quarter of 2008 and 306% growth compared to the fourth quarter of 2007.

The declines continuing over the past 18 months in the cash market have encouraged investment into derivative instruments. According to WSE data, volume of futures and options contracts increased in the period to 3.28 million (+17% QOQ and +19% YOY).

4. Banking Sector

The fourth quarter of 2008 was for the Polish banking sector a period in which bank had difficulties with access to inter-bank funding, this because of mutual lack of trust, which resulted in a price war over deposits and an increase in interest income only by 1% compared to the third quarter of 2008. Sector revenue increased by 10% YOY, but declined by 4% QOQ, whereas costs rose by 9% YOY and by 12% QOQ. Additionally, sector income was adversely affected by PLN 2.1 billion of impairments, which were nearly five times higher than in the fourth quarter of 2007 and 80% higher than in the third quarter of 2008. As a result, net income of the sector in the fourth quarter of 2008 was 34% lower than in the fourth quarter of 2007, and 48% lower than in the third quarter of 2008.

In the fourth quarter of 2008 the high asset growth in the sector was recorded, which stood at 31% YOY and 11% QOQ. In the fourth quarter of 2008 corporate loans rose by 31% YOY and 7% QOQ, whereas corporate deposits rose by 4% and 5% respectively. In the same period loans to individuals rose by 50% YOY and 18% QOQ, whereas retail deposits rose by 29% and 8% respectively. Worth noting is that mortgage loans, which weigh materially in development of total retail loans, rose by 64% YOY and 26% QOQ.

5. Financial analysis of the Group's Results

▪ Balance sheet

At the end of the fourth quarter of 2008 total assets amounted to PLN 42.8 billion as compared with PLN 38.9 billion at the end of 2007 and increased by PLN 3.9 billion (or 10%). The biggest impact had an increase of debt securities available for sale (up by 4.3 billion, or 67%) and financial assets held for trading (up by 2.9 billion, or 56%). Concurrently decrease in the group of assets was recorded in loans and advances to financial sector (down by PLN 5 billion, or 58%) which is primarily a result of the reduction of bank deposits, while an increase was recorded in loans and advances to non-financial sector (up by 1.4 billion, or 11%) primarily in retail banking segment, the rise was recorded in cash loans to customers as well as in overdrafts on credit cards.

Loans and advances, net

PLN m	31.12.2008	31.12.2007	Change	
			PLN m	%
Loans and advances to non-financial sector				
<i>Corporate banking clients</i>	8,253	7,767	486	6%
<i>Retail banking customers, including:</i>	5,633	4,719	914	19%
<i>Credit cards</i>	2,215	1,830	385	21%
<i>Cash loans to customers</i>	2,984	2,432	553	23%
Total	13,886	12,486	1,400	11%
Loans and advances to financial sector				
<i>Banks and other monetary financial institutions</i>	3,010	8,271	(5,262)	(64%)
<i>Non-banking financial institutions</i>	678	448	230	51%
Total	3,687	8,719	(5,032)	(58%)
Total loans and advances	17,573	21,205	(3,632)	(17%)

Loans and advances to non-financial sector, gross

PLN m	31.12.2008	31.12.2007	Change	
			PLN m	%
<i>Not at risk of impairment</i>	13,417	12,217	1,200	10%
<i>At risk of impairment</i>	1,894	1,635	259	16%
Total	15,311	13,852	1,459	11%
Impairment	1,425	1,366	59	4%
Loans and advances to non-financial sector, net	13,886	12,486	1,400	11%
Provision coverage ratio	75%	84%		

On liabilities side, the biggest change (up by PLN 2.4 billion, or 56%) was recorded in financial liabilities held-for-trading as well as in liabilities valued at amortized cost (up by PLN 1.3 billion, or 5%) primarily in the group of deposits from financial sector.

Deposits

PLN m	31.12.2008	31.12.2007	Change	
			PLN m	%
Deposits of non-financial sector				
Current accounts:	7,477	8,050	(573)	(7%)
<i>Corporate banking clients</i>	3,768	4,029	(261)	(6%)
<i>Retail banking customers</i>	3,709	4,021	(312)	(8%)
Deposits:	12,431	11,748	683	6%
<i>Corporate banking clients</i>	9,568	9,506	62	1%
<i>Retail banking customers</i>	2,863	2,242	621	28%
Accrued interest	27	13	14	107%
Total	19,935	19,811	124	1%
Deposits of financial sector				
<i>Banks and other monetary financial institutions</i>	3,342	3,807	(465)	(12%)
<i>Non-banking financial institutions</i>	4,580	3,278	1,302	40%
Total	7,922	7,085	837	12%
Total deposits	27,857	26,896	961	4%

- Income statement

In the 2008 Group reported consolidated gross profit of PLN 871 million, down by PLN 163 million (or 16%) compared to the 2007. At the same period Group net profit amounted to PLN 688 million, down by PLN 136 million (or 16%) compared to the 2007.

In the fourth quarter of 2008 the Group reported consolidated net income of PLN 122.5 million, down by PLN 83.3 million (or 41%) compared to the fourth quarter of 2007. At the same period, Group revenue decreased by PLN 41 million (or 7%) to PLN 586.7 million. The major impact on lower revenue in comparison to equivalent period of 2007 had a decrease in treasury income (down by PLN 85 million, or 81%).

The main determinants of the Group's operating result for the fourth quarter of 2008 as compared to the

corresponding period of 2007 were:

- The net interest income amounting to PLN 384 million in comparison with PLN 315 million recorded in the fourth quarter of 2007 (up by PLN 69 million, or 22%), steaming mainly from the rise in interest income from non-financial sector loans and advances, as well as higher income from debt securities.:

Interest income

PLN '000	01.10 -	01.10 -	Change	
	31.12.2008	31.12.2007	PLN m	%
Interest and similar income from:				
Central Bank	27,302	16,060	11,242	70%
Placements in banks	72,298	98,069	(25,771)	(26%)
Loans and advances, of which:	395,470	312,614	82,856	27%
<i>Financial sector</i>	10,695	4,339	6,356	146%
<i>Non-financial sector, including:</i>	384,775	308,275	76,500	25%
<i>on credit cards</i>	97,058	75,022	22,036	29%
Debt securities available-for-sale	107,203	81,593	25,610	31%
Debt securities held-for-trading	44,472	18,193	26,279	144%
Total	646,745	526,529	120,216	23%
Interest expense and similar charges on:				
Deposits from banks	(29,907)	(28,521)	(1,386)	5%
Deposits from financial sector (excl. banks)	(40,359)	(27,805)	(12,554)	45%
Deposits from non-financial sector	(177,786)	(148,652)	(29,134)	20%
Loans and advances received	(14,641)	(6,787)	(7,854)	116%
Total	(262,693)	(211,765)	(50,928)	24%
Net interest income	384,052	314,764	69,288	22%

- The net fee and commission income amounting to PLN 139 million in comparison with PLN 182 million reported in the fourth quarter of 2007 (down by PLN 42 million, or 23%), caused primarily by a decrease in fee and commission income from investments and insurance products in retail banking, as well as from brokerage operations and custody services;

Fee and commission income

PLN '000	01.10 -	01.10 -	Change	
	31.12.2008	31.12.2007	PLN '000	%
Fee and commission income				
Insurance and investment products	40,345	75,350	(35,005)	(46%)
Payment and credit cards	43,717	45,976	(2,259)	(5%)
Transaction services	32,132	33,667	(1,535)	(5%)
Custody services	17,196	23,896	(6,700)	(28%)
Brokerage operations	12,754	18,074	(5,320)	(29%)
Other	17,313	20,112	(2,799)	(14%)
Total	163,457	217,075	(53,618)	(25%)

<i>PLN '000</i>	01.10 - 31.12.2008	01.10 - 31.12.2007	Change	
			<i>PLN '000</i>	%
<i>Fee and commission expense</i>				
Payment and credit cards	(13,603)	(21,232)	7,629	(36%)
Brokerage operations	(5,422)	(8,612)	3,190	(37%)
Other	(4,986)	(5,523)	537	(10%)
Total	(24,011)	(35,367)	11,356	(32%)
<i>Net fee and commission income</i>				
Insurance and investment products	40,345	75,350	(35,005)	(46%)
Payment and credit cards	30,114	24,744	5,370	21.7%
Transaction services	32,132	33,667	(1,535)	(5%)
Custody services	17,196	23,896	(6,700)	(28%)
Brokerage operations	7,332	9,462	(2,130)	(23%)
Other	12,327	14,589	(2,262)	(16%)
Total	139,446	181,708	(42,262)	(23%)

- Net income on financial instruments and revaluation amounting to PLN 0.3 million as compared to PLN 93 million in the fourth quarter of 2007 (up by PLN 92 million) Despite of turbulences on financial markets, in the fourth quarter of 2008 Bank continued active sale of products to customers. However, in the net income on traded financial instruments and revaluation, adjustment of the valuation of counterparty credit risk was included, decreasing this net income by the amount of PLN 147 million.
- Net income in the area of investment debt securities amounting to PLN 20 million as compared to PLN 12 million in the fourth quarter of 2007 as a result of dynamic portfolio management strategy and sound bond market;
- Net other operating income amounting to PLN 36 million as compared to PLN 21 million in the corresponding quarter of 2007. Higher net other operating income in the fourth quarter of 2008 resulted mainly from cumulation in the fourth quarter income on processing data for related parties and release of provisions for litigations, in this mainly due to release of provision related to penalty imposed by the Office of Competition and Consumer Protection, due to court proceeding regarding “interchange” charges in the banking sector amounted to PLN 10 million
- In comparison to the fourth quarter of 2007, in the fourth quarter of 2008 the Group reported decrease in general administrative expenses and overheads together with depreciation expenses (down by PLN 54 million, or 14%) mainly due to lower staff expenses and depreciation expenses. Administrative expenses remained at comparable level. Advisory and other services expenses as well as marketing expenses were lower while an increase was reported in building maintenance and rent and other expenses. .

General administrative expenses and depreciation expense

<i>PLN '000</i>	01.10 - 31.12.2007	01.10 - 31.12.2007	Change	
			<i>PLN '000</i>	%
Staff expenses	125,585	176,199	(50,614)	(29%)
Remuneration costs	131,585	140,203	(8,618)	(6%)
Perks and rewards	(6,000)	35,996	(41,996)	(117%)

PLN '000	01.10 -	01.10 -	Change	
	31.12.2007	31.12.2007	PLN '000	%
Administrative expenses	187,396	187,269	127	0%
Telecommunication fees and hardware purchases	49,406	51,590	(2,184)	(4%)
Advisory, audit, consulting and other services	33,929	38,289	(4,360)	(11%)
Building maintenance and rent	31,859	27,202	4,657	17%
Marketing	14,417	20,052	(5,635)	(28%)
Transaction costs	15,099	15,625	(526)	(3%)
Postal services	7,500	7,716	(216)	(3%)
Training and education	6,458	5,711	747	13%
Banking supervision	1,882	-	1,882	-
Other expenses	26,846	21,084	5,762	27%
Depreciation/amortization of tangible and intangible assets	23,205	26,639	(3,434)	(13%)
Total	336,186	390,107	(53,921)	(14%)

- Net impairment losses of PLN 94 million compared to the net recovery of PLN 18 million in the fourth quarter of 2007, which is the effect of proportion deterioration between provision release from non performing loans and new write offs resulting from increase of the level of the risk of credit activity within the Corporate Banking Sector. The rise of the level of the credit activity risk was caused by deterioration of Bank's customers' financial situation from individual portfolio assessment approach, consequently the danger of term settlement of liabilities. In the Consumer Banking Sector, higher net impairment losses was caused by growth of loan and credits cards portfolio as well as an increase of delinquent receivables share.

▪ Ratios

In the fourth quarter basic financial ratios present as follows:

Financial ratios	Q4 2008	Q4 2007
ROE *	13.7%	17.1%
ROA	1.8%	2.1%
Cost / Income	57.3%	62.2%
Loans to non-financial sector / Deposits from non-financial sector	70%	63%
Loans to non-financial sector/ Total assets	32%	32%
Net interest income / Revenue	65%	50%
Net fee and commission income / Revenue	24%	29%

*Net profit to average equity (excluding net profit for the current year) calculated on a quarterly basis and additionally in case of Q1 excluding dividend paid or declared.

Group employment

In full time job equivalents (FTJE)	2008	2007	Change	
			FTJEs	%
Average employment in the third quarter	5,610	5,819	(209)	(4)
Average employment in the term	5,701	5,722	(21)	n/a
Average employment at the term end	5,540	5,921	(384)	(7)

As at 31 December 2008, capital adequacy ratio of the Group stood at 11.99%, down by 0.87 percentage points compared with the end of 2007, which was primarily caused by the increase in the capital requirement to cover operational risk as well as the increase in capital requirements to cover credit risk and counterparty risk, partially compensated by the decrease in the capital requirement to cover excess concentration and large exposures risks.

Capital adequacy ratio

PLN '000

	31.12.2008	31.12.2007
I Own funds for the calculation of capital adequacy ratio, including:	3,675,853	3,434,911
Less in core and supplementary funds		
- interests in subordinated financial entities	56,056	58,387
- intangible assets, including:	1,283,402	1,284,078
<i>goodwill</i>	1,245,976	1,245,976
II Risk-weighted assets and off-balance sheet liabilities (bank portfolio)	19,908,154	17,444,865
III Total capital requirements, of which:	2,452,924	2,137,404
- credit risk capital requirements (II*8%)	1,592,652	1,395,589
- counterparty risk capital requirements	286,484	123,926
- excess concentration and large exposures risks capital requirements	82,829	356,051
- total market risk capital requirements	132,313	253,531
- operational risk capital requirements	347,112	-
- other capital requirements	11,534	8,307
Capital adequacy ratio (I/III*12,5)	11.99%	12.86%

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

6. Segmental reporting

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

- Corporate Bank

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

- Consumer Bank

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

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

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

Consolidated income statement by business segment

For the period	2008			2007		
	Corporate Bank	Consumer Bank	Total	Corporate Bank	Consumer Bank	Total
<i>w tys. zł</i>						
Net interest income	564,933	800,817	1,365,750	533,757	670,663	1,204,420
Net fee and commission income	259,514	359,468	618,982	309,994	426,689	736,683
Dividend income	3,571	8,190	11,761	5,923	17	5,940
Net income on traded financial instruments and revaluation	332,492	38,941	371,433	389,500	33,020	422,520
Net gain on investment (deposit) securities	57,184	-	57,184	30,086	-	30,086
Net gain on investment (capital) instruments	(168)	-	(168)	43,700	3,789	47,489
Net other operating income	80,588	8,824	89,412	72,787	(7,722)	65,065
General administrative expenses	(596,751)	(801,869)	(1,398,620)	(657,773)	(755,934)	(1,413,707)
Depreciation expense	(64,875)	(32,242)	(97,117)	(76,710)	(32,127)	(108,837)
Profit / (loss) on sale of tangible fixed assets	2,742	513	3,255	597	(1)	596
Net impairment losses	(63,616)	(89,464)	(153,080)	100,390	(47,834)	52,556
Operating income	575,614	293,178	868,792	752,251	290,560	1,042,811
Share in profits (losses) of undertakings accounted for under the equity method	2,244	-	2,244	(8,586)	-	(8,586)
Profit before tax	577,858	293,178	871,036	743,665	290,560	1,034,225
Income tax expense			(182,658)			(210,010)
Net profit			688,378			824,215

As at:	31.12.2008			31.12.2007		
Assets, including	36,939,729	5,885,698	42,825,427	34,030,227	4,877,757	38,907,984
<i>Non-current assets held-for-sale</i>	40,554	-	40,554	12,645	-	12,645
Liabilities	34,978,682	7,846,745	42,825,427	31,464,198	7,443,786	38,907,984

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

1. Corporate Bank

- *Summary results*

PLN 000'	Q4 2008	Q4 2007	Change	
			PLN 000'	%
Net interest income	169,205	136,104	33,101	24%
Net fee and commission income	63,091	75,972	(12,881)	(17%)
Dividend income	733	1,667	(934)	(56%)
Net income on traded financial instruments and revaluation	(11,012)	84,127	(95,139)	(113%)
Net gain on debt investment securities	19,796	12,211	7,585	62%
Net gain on equity investment instruments	-	3,193	(3,193)	(100%)
Net other operating income	24,260	21,324	2,936	14%
Total income	266,073	334,598	(68,525)	(20%)
General administrative expenses and depreciation	(125,770)	(190,571)	64,801	(34%)
Profit / (loss) on sale of tangible fixed assets	480	736	(256)	(35%)
Net impairment losses	(68,475)	41,507	(109,982)	(265%)
Share in profits / (losses) of undertakings accounted for under the equity method	431	(114)	545	(478%)
Profit before tax	72,739	186,156	(113,417)	(61%)
Cost / Income	47%	57%		

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

- Increase in net interest income resulting mainly from increase of debt securities available for sale portfolio as well as higher income from non-financial loans,,
- Decrease in net fee and commission income caused by lower incomes on custody and brokerage services,
- Decrease of income from Treasury activity, despite of turbulences on financial markets, in the fourth quarter of 2008 Bank continued active sale of products to customers. However, in the net income on traded financial instruments and revaluation, adjustment on valuation of counterparty credit risk was included, decreasing this income by the amount of PLN 147 million.
- Net income in the area of investment debt securities as a result of dynamic portfolio management strategy and sound bond market;
- Increase of net other operating income mainly as a result of cumulation in the fourth quarter income on processing data for related parties
- Decrease of general administrative expenses, overheads and depreciation expense primarily due to lower staff costs, mainly awards and bonuses as well as lower technological, marketing expenses and also decrease of staff expenditures,
- Net impairment losses compared to the net recovery in the fourth quarter of 2007, which is the effect of the proportion deterioration between provision release from non performing loans and new write offs resulting from increase of the level of the credit activity risk. The rise of the level of the credit activity risk was caused by deterioration of Bank's customers financial situation from individual portfolio assessment approach, consequently the danger of term settlement of liabilities.

a) Transaction Servicing

- Liquidity and Cash Management Products

The Bank is a leading provider of corporate liquidity management solutions in the Polish banking market. Many local and international capital groups committed management of their cash pooling structures to it. The Bank has amassed over a ten years of experience in offering liquidity management solutions in this market and its clients perceive it as a reliable and credible partner.

In the fourth quarter of 2008 the Bank implemented new cash pooling solutions for another series of capital groups. Zero balancing of the balances of all of the pool structure participants at the end of each business day and transfer of all cash surpluses to a single designated account are the key characteristics of actual cash pooling. Liquidity management structures enable utilization of otherwise idle funds in a capital group and minimise the need for credit, thus reducing debt service costs. Solutions of this type are of particular significance in a financial market characterised by credit restrictions. Liquidity management products allow firms to minimise their bank debt and to effectively utilize own funds without the risk of loss ability to service their current liabilities.

- Electronic Banking

At the end of the fourth quarter of 2008 the number of corporate clients operating the CitiDirect internet banking system, which is CitiHandlowy's primary electronic banking system, increased compared to the end of the fourth quarter of 2007 by 13% and reached nearly 9,500.

In the same period the number of transactions electronically processed by CitiDirect system increased compared to equivalent period in 2007 by over 20% and reached nearly 6 million.

The share of electronically delivered bank statements remains high and stands at approximately 86%.

In the fourth quarter of 2008 the Bank continued its work on a project involving new internet banking system for the small and medium enterprise segment.

- Payments and Receivables

Unikasa

Unikasa is a modern product that facilitates servicing of the Bank customers' payables and allows payers settlement of their bills for products and services in the most frequently visited locations, such as hyper- and supermarket chains, petrol stations and the Bank's Customer Service Points.

The Bank has commenced work aimed at optimising fixed costs of operating the network and of eliminating of unprofitable distribution channels. In the fourth quarter of 2008 the Bank undertook actions aimed at optimising the number of locations Unikasa Payment Processing Network. In the future the Bank plans to expand its Unikasa network by adding new attractive agency outlets, which will also operate under the Unikasa Partner brand.

Domestic Bank Transfers

The volume of domestic payments serviced by the Bank in the fourth quarter of 2008 increased by 11% compared to equivalent period a year earlier.

In the course of the year 2008 the Bank implemented a project aimed at optimising the cost of servicing payments via the Elixir system. The modifications made to the operating process allow the Bank to send out the same volume of payments at lower cost.

Foreign Bank Transfers

The Bank treats retention of its position of leadership in the Polish market in the field of SEPA (Single European Payments Area) payments as a priority objective. In continuation of the success of adding the SEPA payments to its offer in early 2008, the Bank has worked to further optimise the service. In the fourth quarter of 2008 the Bank completed work aimed at automation and broadening of the time band in which payments are processed in the working day. These changes resulted in improved effectiveness of the SEPA service, which should translate into increased customer satisfaction.

Electronic Postal Cash Transfers

Electronic Postal Cash Transfer is a product addressed to corporate clients who transfer funds in the form of cash to individuals. The Bank registered over 11% raise in the value of executed postal cash transfers.

MicroPayments

MicroPayments are a service addressed to courts and prosecution administrations. The product allows these institutions to calculate and charge court deposit and bail interest at individual case level. High functional efficiency of the solution has continued to contribute to its growing popularity. In the fourth quarter of 2008 the group of clients using the MicroPayments product was joined by further courts. As a result, the Bank's share in this market segment increased and is currently estimated at 15%.

- Card Products

In the fourth quarter of 2008 the Bank continued working towards strengthening its position of leadership in the prepaid payment cards market in Poland. Its market share stands at around 70%. The product is most frequently used under loyalty, promotional and incentive programs as it also serves as an excellent instrument of social benefit distribution. In the fourth quarter of 2008 the Bank issued 110,000 new prepaid cards. In the fourth quarter value of transactions executed through prepaid cards increased by over 32% compared to equivalent period in 2007. As at the end of December of 2008 the number of actively used prepaid cards exceeded 370,000; representing over 50% growth compared to the fourth quarter of 2007.

The Bank has sought to strengthen its position in business cards segment. As at the end of the fourth quarter of 2008 total number of issued business cards reached over 17,700, which represents nearly 10% growth compared to equivalent period in 2007. In response to customer expectations, as of December 2008, the Bank also introduced a new service of electronic communication between the Bank and the client: emailing of bank statements in PDF format. The new service will cut down on time of delivery of documents to the client substantially and will reduce archiving costs.

- Cash Products

Many transactions in the Polish market continue to be settled in cash. The Bank provides its clients with comprehensive cash management services. With continued improvement of customer satisfaction in view, the Bank added electronic bank payment receipt (eBDW) to its offer of closed cash payments. The key feature of the solution implemented in the fourth quarter of 2008 is the application that triggers generation of a payment receipt form, with matrix code. From the perspective of the clients, the new solution streamlines the process of preparation of closed payment packages. The benefits accruing for the Bank include cost savings and elimination of the risk of error, which can occur in the process of posting payments; transposing data from a traditional, self-copying payment receipt form.

In the fourth quarter of 2008 the Bank also continued reorganise its network of cash handling centres. From the perspective of the clients, the changes will lead to opening of new locations, in which depositing of cash is possible. In addition to increased customer satisfaction, the benefits accruing for the Bank include optimisation of costs and diversification of risk.

- Trade Finance Products

In the fourth quarter of 2008 the Bank continued to reorganise the key processes in the trade finance area.

For the most part the reorganisation touched the operational and implementation processes. The implemented changes will ensure optimised use of the Bank's resources while maintaining high quality the field is known for and improving its functional efficiency.

The reorganisation involved, as one of its elements, closing of an insurance agreement with a leading insurer within a trade debt insurance scheme. The new agreement provides the unchanged level of insurance coverage at substantially lower cost.

The most noteworthy trade finance transactions and initiatives of the fourth quarter of 2008 included:

- launch of a Supplier Financing Program for a global leader in vegetable oils production;
- launch of limited recourse trade receivables discounting programs for global leader in manufacture of electronic subassemblies;
- granting of an advance repayment bond for an aircraft manufacturer;
- relaunch of Distributor Financing Programs for chemical sector majors;
- launch of trade receivables discounting programs for hardware wholesalers and a leading fish processor;
- launch of a Distributor Financing Program for a global tobacco company.

- EU Office

In the fourth quarter of 2008 the Bank continued its promotion and information campaign focusing on the new 2007-2013 programming period. Actions were addressed to the Bank's current and potential clients.

In this context representatives of the Bank participated in many meetings devoted to various aspects of innovation. The training courses and meeting created opportunities for presentation of opportunities for co-financing of projects with European Union funds. The meetings also presented the benefits of the Technological Loan and of drawing on the EU Guarantee Fund. The campaign was primarily addressed to representatives of the small and medium enterprise sector (SMEs).

As the subsequent EU funds for enterprises become available the Bank continues its advisory and information campaign among its clients. This approach has resulted in growth of interest among the Bank's clients in utilisation of EU funding in their businesses and has translated into a pipeline new EU advisory agreements.

b) Capital Markets and the Corporate and Investment Bank

- *Treasury*

In the fourth quarter of 2008 the Bank achieved excellent results in its FX transactions with nonbanking clients despite of adjustment on valuation of counterparty credit risk . The scale of operations with clients increased substantially; attributable to high service quality. The latter is borne out by the near 15% trading volume growth compared to equivalent quarter of 2007. Worth underscoring is that December was in those terms a record month of the entire year 2008.

The CitiTreasury Interactive (CTI) internet platform enabling execution of FX transactions on line has enjoyed unwavering popularity among our clients. It is ever more actively utilised as it ensures fast, easy and secure execution of these transactions. The volume of transactions closed via the platform rose by nearly 60% compared to the fourth quarter of 2007 while the number of active users has gone up by approximately 37%.

A concerns execution of treasury bond transactions with institutional counterparties, the volume of trading in the fourth quarter of 2008 increased by over 30% compared to the final quarter of 2007.

In the same period the Bank registered relatively significant increase in trading corporate paper market. The volume of transactions executed within the segment increased by nearly 40% compared to equivalent quarter of 2007.

- *Corporate and Investment Bank*

The institutional client servicing model solutions implemented in the third quarter of 2008 enabled full rollout of an integrated service platform, which covers all of the economic entities operating in the Polish market. The mentioned solutions aim at maximising efficiency of the corporate service platform and of the Bank's operations.

In line with its strategic aims, the Bank continues to grow its asset base in a sustainable way while optimising effectiveness of funds employed, with particular focus on maintaining liquidity.

Assets

PLN m	31.12. 2008	31.12. 2007*	Change	
			Amount	%
Total Commercial Bank	9,773	8,693	1,080	12%
Including:				
SME	944	881	63	7%
MMEs	1,405	1,572	(167)	(11%)
Public Sector	97	93	4	4%
Global Clients	3,682	3,343	339	10%
Strategic Clients	2,461	1,907	554	29%

* The comparative data in respect of Q4 2007 presented here differ from the data presented in the Report in respect of the fourth quarter of 2007 due to a change in methodology of presentation. The Q4 results here include all the SME clients now served by the new integrated SME platform.

Liabilities

PLN m	31.12. 2008	31.12. 2007*	Change	
			Amount	%
Total Commercial Bank	16,287	17,362	(1,074)	(6%)
Including:				
SME	2,077	2,172	(96)	(4%)
MMEs	1,287	1,775	(469)	(27%)
Public Sector	1,940	850	1,090	128%
Global Clients	7,439	9,720	(1,281)	(15%)
Strategic Clients	3,502	3,800	(299)	(8%)

* The comparative data in respect of Q4 2007 presented here differ from the data presented in the Report in respect of the fourth quarter of 2007 due to a change in methodology of presentation. The Q4 results here include all the SME clients now served by the new integrated SME platform.

Key initiatives in the Small and Medium Enterprises Segment (SMEs)

The fourth quarter of 2008 was devoted to build-out of the single integrated SME servicing platform. After breakthrough organisational and product changes implemented in the third quarter, in the following months the Bank focused its efforts on exploring the benefits accruing from combination of best practices followed by the Commercial Bank and the Consumer Bank and on cultivation of relationships with the clients through the new distribution channels.

At the same time we put much emphasis on further development of the SME customer base through

intensive acquisition effort supported by marketing campaigns (as in the case of On-Line Trading platform). New product offer addressed to SME clients was launched in October 2008.

In November the product offer was further expanded through introduction of new savings accounts for micro- and small businesses: *Firmowe Konto Super Oszczędnościowe* company account, bearing attractively high interest, with interest accrual mechanism different from that used in the case of *Firmowe Konto Oszczędnościowe* (launched in the past months). These two deposit products combined with traditional term deposits provide even the clients with tools for effective fund management; consistent with the varied needs occurring in this highly diverse segment. In parallel to *Firmowe Konto Super Oszczędnościowe*, we offered our larger scale SME segment clients a high interest bearing account product.

Another example of the Bank exploiting synergies at the interface of consumer and SME banking was the launch of Cash Back service, which involves dispensing of cash from Maestro Business debit cards at vendor establishments and mobile payments integrated with bank account.

The experience gained in the corporate sector was instrumental in launching factoring services for small enterprises.

Key initiatives in the Large Enterprises Segment (MMEs)

Within the framework of the new package addressed to MMEs the Bank closed two transactions involving the new “multipurpose line” product.

We also closed a palm oil price hedging transaction with a biofuel sector player, the first of its kind in Europe for Citi. We expanded the product offer to include factoring for self-government units and closed initial transactions in the field.

Key initiatives in the Global Clients Segment

From the perspective of the Bank’s Global Clients the final quarter of 2008 was a period of continued good business. We entered into new collaborative relationships with over ten new entities, with the expectation of their fruitful development in the coming years. We completed a number of significant financings for automotive industry clients, which visibly reinforced the Bank’s strong position of a strategic partner of multinational corporations co-operating with Citi’s global network. The same was also a period of substantial volatility in the currency markets. The Bank provided ongoing support to both exporters and importers providing them with intelligence on the dynamically changing currency markets. Many of the Global Clients committed their surplus deposit balances to the Bank, which can be interpreted as an expression of their trust. Aiming to meet the expectations of its Global Clients, the Bank launched a number of new cash management solutions closely responsive to the liquidity requirements of multinationals.

The fourth quarter of 2008 was also a period of development of factoring services, which provided large multinationals with systemic support for their suppliers, primarily representatives of the SME sector. Such solutions operate successfully in companies representing the fast-moving consumer goods (FMCG) sector and the construction sector.

Most recently we completed an innovative transaction involving syndication of a very large bank guarantee, which enabled one Global Client to fulfil specific tender conditions. Amount and duration of the guarantee impacted the structure of the transaction, which involved securitization of the client’s trade contract. The Bank is interested in executing similar transactions in the future as they put Citi’s combined resources into effective use of serving multinationals operating in the Polish market.

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

DMBH retained its second position in secondary equities market trading. In the fourth quarter of 2008 its average share in trading reached 12.3% compared to 11.3% in equivalent period of 2007.

Value of equity trades and derivatives trading volumes executed by DMBH in the fourth quarter of 2008

	Q4 2008	Q3 2008	Percentage change QOQ	Q4 2007	Percentage change YOY
Equities (PLN m)	9,223	8,633	6.83%	12,191	(24.35%)
Futures and options ('000 units)	123	166	(25.96%)	68	81.21%
Number of investment accounts (units)	9,812	9,890	(0.79%)	10,287	(4.62%)

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

The number of investment accounts DMBH operated for its clients as at the end of 2008 exceeded 9,800.

Financial result of DMBH in the fourth quarter of 2008 was affected in a significant way by the decline in equities trading, in YOY terms. Investors responded to the crisis of the global financial markets and the deteriorating expectations vis-à-vis the economy by becoming more averse to equity market risk, with negative impact on their market activity in the last three months of 2008. On another level, increased participation of institutional investors in the market (at the expense of retail investors) improved DMBH's overall share in market trading.

In the final quarter of 2008 the Bank activated fully its internet access channel for investment accounts. The functionalities of the internet tool include, among others, execution of transactions on-line on the Warsaw Stock Exchange (WSE), access to market offers and use of funds deposited on personal CitiHandlowy account. New, lower commission rates apply to all of the transactions executed on line.

In the fourth quarter of 2008 DMBH continued as one of the select few providers of the market maker function on WSE.

Summary Income Statement and Balance Sheet*

Company name	Headquartered	Participation interest of the Bank in equity	Balance sheet total as at 31.12.2008	Equity as at 31.12.2008	Net financial result 01.01.-31.12.2008
		%	PLN 000'	PLN 000'	PLN 000'
Dom Maklerski Banku Handlowego S.A.	Warsaw	100.00	458.334	92.598	10.158

* Unconsolidated unit data, not audited in the course of the year

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

Value of leases contracted in the fourth quarter of 2008 reached PLN 133.5 million, compared to PLN 226.2 million, representing a decline of 41%.

Distribution of the assets leased in the fourth quarter of 2008 between respective sector categories was as follows:

- Heavy transport vehicles continued to dominate representing 55.4% of total financed assets, by value;
- Machinery and equipment constituted 44.6% of total financed assets.

Net asset value of leases

PLN m	Q4 2008	Q4 2007*	Change	
			PLN m	%
Value of leases contracted in the period	133.5	226.2	(92.7)	(41.0%)
- for vehicles	74.0	145.0	(71.0)	(31.4%)
- for machinery and equipment	59.5	81.1	(21.7)	(9.6%)

* The comparative data in respect of Q4 2007 presented here differ from the data presented in the Report in respect of the fourth quarter of 2007 due to a change in methodology of presentation. The adjustment is made in compliance with guidelines of the Polish Leasing Association.

Significant part of the decline in leased asset value which occurred in the fourth quarter of 2008 came from the persistently weak demand prevailing on the heavy transport vehicles market. Investment processes and thus fixed asset procurement processes experienced significant contraction. The trend was reflected directly in propensity of enterprises to undertake further financial obligations. The economic slowdown was coming into evidence in most every market segment. Clients postponed their procurement and investment decisions in order to see how the local market would respond to the onset of a global recession. Cross-selling offered to Bank clients also declined.

In the fourth quarter of 2008 the Company added an innovative product to its offer: Handlowy Leasing – Adwokat, a litigation insurance coverage package representing a novel solution for the leasing market. It also prepared Car Fleet Management product for market launch in January 2009.

Summary Income Statement and Balance Sheet*

Company name	Headquartered	Participation interest of the Bank in equity	Balance sheet total	Equity as at	Net financial result
			as at 31.12.2008	31.12.2008	01.01.-31.12.2008
		%	PLN 000'	PLN 000'	PLN 000'
Handlowy-Leasing Sp. z o.o.	Warsaw	100.00	1.557.088	179.777	6.501

* Unconsolidated unit data, not audited in the course of the year

2. Consumer Bank

- Summary segmental results*

PLN 000'	Q4 2008	Q4 2007	Change	
			PLN 000'	%
Net interest income	214,847	178,660	36,187	20%
Net fee and commission income	76,355	105,736	(29,381)	(28%)
Dividend income	5,944	-	5,944	-
Net income on traded financial instruments and revaluation	11,257	8,479	2,778	33%
Net other operating income	12,205	(22)	12,227	n/a
Total income	320,608	292,853	27,755	9%
General administrative expenses and depreciation	(210,416)	(199,536)	(10,880)	5%
Profit / (loss) on sale of tangible fixed assets	61	(46)	107	(233%)
Net impairment losses	(25,833)	(23,976)	(1,857)	8%
Profit before tax	84,420	69,295	15,125	22%
Cost / Income	66%	68%		

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

- Dynamic interest income growth as compared to the corresponding period of 2007 resulting mainly from substantial growth of Credit Cards and Cash Loan portfolios,
- Significant decrease of fee income related to investment products, caused by very unstable situation on financial markets, partially compensated by increased fee income on other products together with an increase of their portfolio, mainly by credit cards,
- Increase of net other operating income as a result of release of provisions for litigations, mainly due to release of provision related to penalty imposed by the Office of Competition and Consumer Protection, due to court proceeding regarding “interchange” charges in the banking sector amounted to PLN 10 million
- Increase of expenses mainly as a result of technological expenses on Bank’s systems development and external suppliers expenses due to growth of acquisition and customers portfolio,
- Increase of net impairment losses was caused by growth of cash loans and credit cards portfolio and increase of delinquent receivables share

a) Credit Cards

In the fourth quarter of 2008 the Bank sold a new record number of 80,000 new credit cards, and total number of cards issued at the end of the year exceeded one million.

The last three months of 2008 reaffirmed the dominant position of the Bank in issuance of co-branded credit cards. In the final quarter of the year the Bank acquired a record number of over 70,000 new co-branded credit cards. Motokarta Kredytowa Citibank-BP remained the most popular of these, with portfolio of over 260,000 cards and 32,000 new card sales in the final quarter of 2008.

Citibank-Plus Credit Card implemented with Polkomtel S.A. in mid-2007 remains a pillars in credit card sales, with the final quarter result of 28,000 new cards and total portfolio exceeding 123,000 cards.

In October Citi Handlowy launched another lottery for holders of Citibank Credit Cards, with promotional message of Check Your Numerological Fit – Win Cooper MINI. Every card holder participating in the lottery, which will continue until the end of January 2009, can win one of 5,555 cash prizes or one of the grand prizes: 3 iconic Cooper MINI cars.

As at the end of December the number of the Citibank Credit Cards Discount Program partners expanded to include a number on new and attractive brands. The program was joined, among others, by Trip Group luxury hotels and other hotels, such as Hotel Ascot, Hotel Andersia, Hotel Pałac Czarny Las and Zamek Kliczków. At present the discount program includes over 3,200 retail trade and service outlets throughout Poland, in which all Citibank Credit Card holders can receive discounts of up to 50% on purchases made with their cards. Citibank Credit Cards Discount Program remains the largest program of its kind in the Polish market.

b) Other Consumer Bank Products

- *Bank Accounts*

The Bank commenced the fourth quarter of 2008 with implementation of *Konto SuperOszczędnościowe*. Compared to the existing *Konto Oszczędnościowe*, *Konto SuperOszczędnościowe* bears attractive interest, one of the highest in the market. Interest accrues in the months in which the customer does not execute any transactions debiting the account. From the customers' perspective, the functionality disciplines them toward systematic saving. *Konto SuperOszczędnościowe* offer addresses itself to active customers of the Bank: it is operated free-of-charge provided the customer transfers their to the Bank their pay of minimum PLN 1,500 or executes transactions with their debit card or via Citibank Mobile Payments in an amount of at least PLN 500 per month. The new *Konto SuperOszczędnościowe* generated substantial interest among customers.

In November the Bank offered its customers *Kapitalna Lokata*, a promotional internet deposit. The deposit name alludes to *Kapitalny Pomysł*, a television variety show, in which Citi Handlowy is involved as a partner. *Kapitalna Lokata* was offered until the end of December 2008 and was available exclusively through Citibank Online internet banking. The product was a 3-month deposit bearing 8.08% interest, one of the highest in the market. To qualify for the promotional interest, the customer needed to invest at least PLN 10,000 and up to PLN 1 million. The offer met with enthusiastic reception.

In November the Bank also implemented Cash Back service available to holders of Maestro debit cards. This permits withdrawal of cash while making card payments at vendor establishments. The service was launched with the aim of encouraging customers to make greater number of card payments while reducing simultaneously reducing the number of ATM withdrawals, thus contributing to increasing the Bank's income. The service remains free of charge until the end of March 2009.

In December the Bank began selling Progressive Deposit, thus rounding out the range of savings products now on offer. The customer can choose between 6-month and 12-month deposits, with monthly interest progression and effective annual rate of interest of 6.83%. The unique feature of this deposit product is that the customer can terminate it and still receive all interest accrued as at the termination date provided the customer chooses to invest the entire principal deposit amount into any of the investment or insurance products the Bank offers.

In December the Personal Account offer was expanded to include a yen subaccount. The Bank was one of the first banks in the market to provide customers with that possibility. Account replenishment in this case is only possible through internal and external transfers as the Bank presently does not offer cash handling services in this currency through its outlets. The account is maintained free of charge.

Also in December Citi Handlowy launched the innovative Pay By Mobile service, which enables the customer to make payments directly from their bank account with the use of their mobile handset. The mobile payments are possible only at vendor establishments that accept this form of payment. The Pay By Mobile mobile payments as the first service of this type in the market and have been singled out as the most innovative solution implemented in 2008. Through a collaborative arrangement with the Warsaw Transport Authority, the Bank's customers can use their mobile handsets to pay their municipal transport fares. Other mobile phone payments include parking toll in the city's metered parking zone. Implementation of the Pay By Mobile mobile payments solution was possible through close co-operation with one of the largest mobile operators and a mobile payments settlement agent.

- *Credit Products*

Cash Loan

In the fourth quarter of 2008 the Bank prepared promotional Cash Loan offers addressed to customers interested in reducing their monthly debt service costs and obtaining additional discretionary cash. Between 1 and 31 October it ran a campaign with promotional message of The More You Consolidate, The More You Gain. The offer pertained to consolidation loans for the purpose of repayment of at least one debt with another bank. Each customer consolidating their bank loans pays reduced commission fee of just 1% plus interest reduced in relationship to the standard rate by 0.5% to 1%, this depending on the consolidated debt amount.

Between 7 and 31 November the campaign was continued in a slightly modified form. The customers taking advantage of Cash Loan for purposes of consolidating at least one loan in another bank received interest

terms reduced in relationship to the standard rate by as much as 2% depending on the consolidated debt amount.

In keeping with the winter holiday season tradition, in December 2008 the Bank conducted a marketing campaign entitled Loan Can Make You a Twice as Better Santa Claus. Each customer taking advantage of the loan in that season received one teddy bear present for their child, with another exact same teddy bear going to a local orphanage. The campaign had a strong support of national media: in the press, on the radio and through local marketing campaigns.

Credit Line

The Bank continued to market its Citibank Credit Line in pursuance of the new lending policy rules (implemented as of June 2008) and with employment of ECUS, the new sales process support software tool. Sales support involved offering the customers with regular pay receipts to their personal account with the Bank reduced interest terms.

Mortgage Products

In the area of mortgage products the Bank in the fourth quarter of 2008 offered its customers – within the framework of Open Architecture strategy – proprietary mortgage loans and/or mortgage products of external partners relevant to their needs and expectations. The Bank executed an agreement with another partner bank: Lukas Bank. The Lukas Bank mortgage loans have been offered by Bank Handlowy as of the second decade of October.

At the same time the Bank terminated its co-operation with Nykredit, which bank ceased lending operations in Poland.

Within its proprietary offer, as of 12 December 2008 the Bank reduced the maximum LTV ratio – the maximum available loan amount compared real estate value – for loans indexed to CHF.

- Investment Products

In the fourth quarter of 2008 the investment funds offer was expanded to include 12 Schroder Investment Management (Luxembourg) S.A. funds. The Bank became the first financial institution in w Poland to offer funds of that group in direct distribution. The selected portfolio of funds includes equity and fixed income funds denominated in EUR and USD. Additionally five of these funds offer hedge type certificates of ownership, which provide FX risk coverage. Implementation of the new portfolio of funds was preceded by a series of training sessions for the Bank's investment advisers and seminars for its customers.

The Bank conducted extensive training sessions for customer account managers focusing on security of investing in fund products, and other sessions dedicated to topics of debt securities, short- and long-term investment strategies and the cost averaging strategy. The Bank also collaborated with representatives of domestic and foreign investment fund companies in providing seminars for its customers, aimed at providing them with insights into current market conditions and explaining the market and the investor behaviour mechanisms.

In October 2008 the Bank also came out with the second tranche of Trend Navigator, unit-linked life insurance. The product combines investment with insurance cover and permits achievement of return higher than on bank deposits.

Application of the unique TrendSpotter Index mechanism enables automatic identification of trends within six respective asset classes: Money Market, Bonds, Equities, Natural Resources, Real Estate, Hedging Funds.

- Insurance Products

The Bank commenced a new promotional campaign on 13 October 2008 launching thus a life insurance

product with an Investment Program Plus capital fund and a time-deposit.

Customers closing an Investment Program Plus agreement can open a term-deposit bearing preferential rates of interest:

- 15% in the case of a 3-month deposit
- 12% in the case of a 6-month deposit
- 9% or 11% in the case of a 12-month deposit

The maximum deposit amount depends on the value and frequency of the monthly contribution within the Investment Program Plus.

The Bank continued to actively sell Orchid Guaranteed Payout Plan, an innovative unit-linked life insurance implemented jointly with MetLife Europe. The Orchid Guaranteed Payout Plan is a novel life insurance product in the Polish market based on variable annuity payments, which delivers benefits of long term investing in the financial markets and provides guaranteed income paid out in a predefined period. The sales process was supported through seminars for customers and additionally through a sales competition for the advisers.

- *Electronic Banking and Other Remote Service Channels*

The fourth quarter of 2008 brought about 15% raise in the number of registered users of Citibank Online internet banking service compared to the end of the third quarter of 2008: total of above 345,000 users.

In the fourth quarter the Bank also continued promoting the Online Account Statements service (Citibank Personal Account and Citibank Credit Card statements in the electronic form). At the end of the fourth quarter of 2008 the number of registered users of this service exceeded 317,000, a 19% QOQ growth.

In the fourth quarter of 2008 the Bank signed the third agreement this year with an external telesales firm for acquisition of credit cards. This is the third project started in the course of 2008 forming part of telesales channel diversification process, which involves signing of new outsourcing agreements with external firms. In December nearly 20% of credit cards acquired via the telesales channel came from such firms.

3. Branch network

At the end of the fourth quarter of 2008 the Bank's branch network comprised 247 outlets and included Commercial Bank branches and Consumer Bank branches as well as those operating under the CitiFinancial brand. The CitiFinancial outlets included 26 that are the CitiFinancial authorised service outlets, at which customers can submit applications for cash loans offered by the Bank. In the course of the fourth quarter of 2008 the network of the CitiFinancial authorised service outlets grew by 4 located in: Ostróda, Świecie, Bielsk Podlaski and Sochaczew. At present the CitiFinancial branded branch network includes 122 outlets, including 96 own branches.

In the fourth quarter of 2008 the Bank continued to proceed with the Branch Networks Merger project. This involved, among others, pilot test selling of personal accounts via subsequent selected CitiFinancial outlets, which had previously focused exclusively on servicing loan products.

The Branch Network Optimisation Project included such activities as:

- a previously combined outlet (commercial and consumer) in Wrocław at 6/7 Ruska street was moved to a new location at 7A Powstańców Śląskich street;
- a consumer bank branch in Kraków at 7 Karmelicka street was moved to a new location at 8 Kołowa street;

- a consumer bank branch in Kraków at 6 Podwale street was moved to a new location at 7 Karmelicka street;
- a CitiFinacial branch and a consumer bank branch in Koszalin were consolidated into a single shared location at 9 Rynek Staromiejski street;
- a CitiFinancial branch and a commercial bank branch in Mielec were consolidated into a single shared location at 8 Mickiewicza street; and
- a consumer bank branch was opened in Łódź at 5 Karskiego street.

Number of branches as at period end

	Q4 2008	Q4 2007	Change
The number of outlets:	247	237	+10
Consumer Bank	87	87	No change
Multifunctional outlets	72	71	+1
CitiGold Wealth Management	14	15	-1
Investment Centre	1	1	No change
- of which serving Commercial Bank clients	86	84	+2
CitiFinancial	122	112	+10
Branches	96	100	-4
Agencies (partner outlets operating under the CitiFinancial logo)	26	12	+14
Commercial Bank	38	38	No change
- of which serving Consumer Bank customers	38	38	No change
Other sales / customer service outlets:			
Mini-branches (within "Citibank at work")	6	6	No change
BP petrol station sales points	170	88	+82
Number of own ATMs	167	160	+7
- including those with deposit function	155	154	+1

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

- Commercial Bank clients were served by 124 outlets;
- Customer Bank customers were served by 125 outlets;
- CitiFinancial customers were served by 122 outlets.

8. Seasonality or cyclical nature of business activity

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

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

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

10. Paid or declared dividends

No issues concerning Bank profit for 2008 distribution were determined at the statement drawn up day, included amount of dividend.

11. Changes in the Group's structure

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

At 31 December 2008, mentioned assets of the Group include six Bank's own property presented in Balance sheet as "Financial assets and liabilities held for trading".

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

As at 31 December 2008 there were no major events after the balance sheet date not included in the financial statement that could have a significant influence on the net result of the Group.

13. Movements in off-balance sheet commitments

As at 31 December 2008 in relation to the end of 2007 there weren't significant changes in range of received and granted conditional obligation.

The changes in off-balance sheet commitments comparing to the end of 2007, have concerned mainly liabilities related to realization of buying/selling operations, what means decrease of futures transactions amount – concerning transactions FRA and IRS.

The off-balance sheet commitments are as follows:

<i>In thousand of PLN</i>	31/12/2008	31/12/2007
Contingent liabilities		
Granted liabilities		
a) financial	11,167,239	11,192,715
<i>Import letters of credit issued</i>	188,228	146,673
<i>Lines of credit granted</i>	10,949,511	10,874,042
<i>Subscription of securities granted to other issuers</i>	29,500	172,000
b) guarantees	2,359,209	2,172,079
<i>Guarantees granted</i>	2,349,068	2,158,948
<i>Export letters of credit confirmed</i>	10,141	13,131
	13,526,448	13,364,794
Liabilities received		
a) financial	26,000	50,000
<i>Deposits granted</i>	26,000	50,000
b) guarantees	2,394,584	2,573,703
<i>Guarantees received</i>	2,394,584	2,573,703
	2,420,584	2,623,703
Current off-balance sheet transactions*	1,723,887	1,287,297
Forward off-balance sheet transactions**	304,130,335	525,508,982
	321,801,254	542,784,776

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

** Derivatives: FX, interest rate transactions and options

14. Achievement of 2008 forecast results

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

15. Information about shareholders

As at the submission date of this consolidated quarterly report, the only shareholder of the Bank holding, directly or indirectly through subsidiaries, a minimum of 5% of votes at the General Meeting of Shareholders

of Bank Handlowy w Warszawie S.A. is Citibank Overseas Investment Corporation (COIC), a subsidiary of Citibank N.A., with 97,994,700 shares held, i.e. 75% of the authorized share capital of the Bank and 97,994,700 votes at the General Meeting of Shareholders of Bank Handlowy w Warszawie S.A., i.e. 75% of the votes.

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

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

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

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

17. Information on pending proceedings

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

The total value of all court proceedings with the participation of the Bank and subsidiaries of the Bank regarding debts exceeded 10% of the Bank's equity and equaled PLN 804 million.

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

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

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

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

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

Parties to Proceedings	Litigation Value (in thousands of PLN)	Proceedings Commencement Date	Description of Case
			Bank still expects to receive a resolution on completion of the bankruptcy proceeding.
Creditor: Bank Handlowy w Warszawie S.A.	41,502	On 22 June 2001, the court declared the debtor bankrupt.	The Bank submitted its receivables to the proceedings. Case pending.

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

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

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

18. Information about significant transactions with related entities

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

In November 2008 the Bank signed with Citibank N.A. New York, the sole shareholder of Citibank Overseas Investment Corporation, which owns the majority stake of the Bank's shares, the annex number 5 to the agreement signed on 27 April 2004, concerning a range of information systems used by the Bank to service the Bank operation activities. In annex number 5 the sides settled that the payment of the services for year 2007 is amounted for 5,959,012 USD net.

19. Information about guarantee agreements

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

20. Other important information

On January 12, 2009 it sold to Fairfax Financial Holdings Limited with its seat in Ontario, Canada, all of its 17,500,000 Series A and B registered shares of the company operating under the brand name of Polskie Towarzystwo Reasekuracji S.A. with its seat in Warsaw ("PTR S.A."), constituting about 16.64% of the share capital of PTR S.A. and entitling to the same number of votes at the General Meeting of Shareholders of PTR S.A.

The sale of shares was made as a result of the Bank's response on November 28, 2008 to the public tender offer to acquire all of the outstanding shares of PTR S.A. made on September 8, 2008 by Fairfax Financial Holdings Limited and in connection with the fulfillment of all legal conditions specified in the Tender Offer. The total price at which the Bank sold 17,500,000 PTR S.A. shares is PLN 28,000,000.

On January 20, 2009 Moody's Investors Service Ltd changed the Bank's rating outlook from stable, placing the Bank's long-term local and foreign currency deposit ratings as well as the Bank's financial strength rating (BFSR) under review for possible downgrade. The Bank's short-term and long-term deposit ratings and financial strength rating remain unchanged (A2/P-1/C-).

The aforementioned change follows Moody's rating decision for Citigroup Inc. and Citibank N.A. on January

16, 2009. More information can be found in a press release "Moody's places Citigroup's ratings (snr at A2 and Prime-1) under review for possible downgrade" available at <http://www.moody.com/>.

Personal changes in Bank management

On 1 October 2008 Mr Edward Wess has lodged resignation from position of Vice-President of the Board of the Bank resulted from 1 October 2008.

On 1 October 2008 Mr Peter Rossiter was appointed on position of Vice-President of the Board of the Bank.

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

The prospect of onset of recession in the Eurozone increases the risk of deep economic slowdown occurring in Poland. The Bank's macroeconomic forecasts indicate that Poland's GDP growth may come down to below 2% in 2009 due to probable reduction in investing activity of Polish enterprises. In conjunction export and import dynamics may also wane in 2009.

It is probable that the deteriorating conditions in the labour market can weaken growth of household incomes and increase the number of people joining the ranks of the unemployed.

The government plan of for adoption of the euro in 2012 incorporates the assumed need for joining the ERM-2 mechanism in the first half of 2009. However, as adoption of the joint currency would need to be preceded by amendment of the constitution, there is a risk of delay of entry into the ERM-2 exchange rate mechanism and thus also of accession into the Eurozone.

The continuing financial market crisis and the uncertainty as to Poland's euro adoption plans and the time of amendment of her constitution can contribute to increased FX market volatility. Under the negative scenario this could lead to deterioration of the condition of the households servicing currency denominated loans, and thereby to deepening of the economic slowdown.

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

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

<i>In thousands of PLN</i>	Fourth quarter period from 01/10/08 to 31/12/08	Fourth quarter growing period from 01/01/08 to 31/12/08	Fourth quarter period from 01/10/07 to 31/12/07	Fourth quarter growing period from 01/01/07 to 31/12/07
Interest and similar income	621,601	2,241,614	512,519	1,936,192
Interest expense and similar charges	(251,826)	(926,651)	(208,493)	(766,153)
Net interest income	369,775	1,314,963	304,026	1,170,039
Fee and commission income	150,686	664,789	199,730	794,956
Fee and commission expense	(18,589)	(72,982)	(26,787)	(100,707)
Net fee and commission income	132,097	591,807	172,943	694,249
Dividend income	6,677	66,216	-	27,222
Net income on financial instruments and revaluation	19,491	390,282	89,513	416,834
Net gain on investment (deposit) securities	19,796	57,184	12,211	30,086
Net gain on investment (capital) instruments	-	-	-	10,454
Other operating income	42,819	117,440	24,130	97,115
Other operating expenses	(7,718)	(31,547)	(6,453)	(34,583)
Net other operating income	35,101	85,893	17,677	62,532
General administrative expenses	(304,210)	(1,361,042)	(358,454)	(1,377,561)
Depreciation expense	(22,377)	(94,718)	(26,248)	(107,542)
Profit / (loss) on sale of tangible fixed assets	517	3,173	682	598
Net impairment losses	(91,638)	(143,713)	28,297	83,113
Profit before tax	165,229	910,045	240,647	1,010,024
Income tax expense	(34,695)	(176,350)	(45,328)	(201,856)
Net profit	130,534	733,695	195,319	808,168
Weighted average number of ordinary shares		130,659,600		130,659,600
Net profit per ordinary share (in PLN)		5.62		6.19
Diluted net profit per ordinary share (in PLN)		5.62		6.19

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

	31/12/2008	31/12/2007
ASSETS		
Cash and balances with central bank	3,530,977	3,321,503
Financial assets held for trading	8,011,817	5,132,265
Debt securities available-for-sale	10,814,828	6,467,638
Equity investments	291,385	302,321
Loans and advances	16,314,011	20,309,005
<i>to financial sector</i>	3,827,831	8,910,556
<i>to non-financial sector</i>	12,486,180	11,398,449
Property and equipment	540,200	601,088
<i>land, buildings and equipment</i>	521,892	576,060
<i>investment property</i>	18,308	25,028
Intangible assets	1,279,547	1,282,811
Income tax assets	301,502	368,497
Other assets	396,022	210,588
Non-current assets held-for-sale	40,554	12,645
Total assets	41,520,843	38,008,361
LIABILITIES		
Financial liabilities held for trading	6,895,331	4,373,146
Financial liabilities valued at amortized cost	28,292,118	27,443,267
<i>deposits from</i>	27,904,792	27,001,251
<i>financial sector</i>	7,994,592	7,243,219
<i>non-financial sector</i>	19,910,200	19,758,032
<i>other liabilities</i>	387,326	442,016
Provisions	24,552	35,331
Income tax liabilities	-	93,351
Other liabilities	681,361	587,188
Total liabilities	35,893,362	32,532,283
EQUITY		
Issued capital	522,638	522,638
Share premium	2,944,585	2,944,585
Revaluation reserve	(144,110)	(182,451)
Other reserves	1,570,673	1,382,238
Retained earnings	733,695	809,068
Total equity	5,627,481	5,476,078
Total liabilities and equity	41,520,843	38,008,361

Statement of changes in equity of the Bank – parent company

<i>In thousands of PLN</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total Equity
Balance as at 1 January 2007	522,638	2,944,585	(81,501)	1,297,175	621,667	5,304,564
Valuation of financial assets available-for-sale	-	-	(91,521)	-	-	(91,521)
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(33,109)	-	-	(33,109)
Deferred income tax on valuation of financial assets available-for-sale	-	-	23,680	-	-	23,680
Net profit	-	-	-	-	808,168	808,168
Dividends to be paid	-	-	-	-	(535,704)	(535,704)
Transfer on capital	-	-	-	85,063	(85,063)	-
Closing balance as at 31 December 2007	522,638	2,944,585	(182,451)	1,382,238	809,068	5,476,078
	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total Equity
Balance as at 1 January 2008	522,638	2,944,585	(182,451)	1,382,238	809,068	5,476,078
Valuation of financial assets available-for-sale	-	-	104,600	-	-	104,600
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(57,184)	-	-	(57,184)
Deferred income tax on valuation of financial assets available-for-sale	-	-	(9,075)	-	-	(9,075)
Net profit	-	-	-	-	733,695	733,695
Dividends to be paid	-	-	-	-	(620,633)	(620,633)
Transfer on capital	-	-	-	188,435	(188,435)	-
Closing balance as at 31 December 2008	522,638	2,944,585	(144,110)	1,570,673	733,695	5,627,481

Summary statement of cash flows of the Bank – parent company

<i>In thousands of PLN</i>	Fourth quarter growing Period from 01/01/08 to 31/12/08	Fourth quarter growing Period from 01/01/07 to 31/12/07
Cash at the beginning of reporting period	3,741,447	1,304,621
Cash flows from operating activities	515,316	3,038,979
Cash flows from investing activities	8,448	(58,252)
Cash flows from financing activities	(657,735)	(543,901)
Cash at the end of reporting period	3,607,476	3,741,447
Increase / Decrease in net cash	(133,971)	2,436,826

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

The abbreviated interim financial statements of the Bank for the fourth quarter of 2008 have been prepared in accordance with accounting principles adopted and summarized in the consolidated interim financial statement of the Bank for the reporting period ending on 30 June 2008.

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

The Bank’s financial results

For year 2008 Bank has generated profit before tax of PLN 910 million, that means PLN 100 million decrease (i.e. 9.9%) relatively to previous year. In the same period Bank has generated consolidated net income of PLN 734 million, that means PLN 74 million decrease (i.e. 9.2%) relatively to analogous period of previous year.

In fourth quarter Bank has generated gross income of PLN 165 million, that means PLN 75 million decrease (i.e. 31.3 %) relatively to the same period of previous year. The net profit in fourth quarter 2008 amount PLN 131 million, that means PLN 65 million decrease (i.e. 33.2 %) relatively to fourth quarter of previous year.

The impact on net profit in fourth quarter of 2008 comparing with analogous period of 2007 had: increase of result on interest and commissions by 25 mln zł (tj. 5.2%), decrease of bank’s activity and general administrative expenses and depreciation jointly by 58 mln zł (tj. 15.1%), higher result on other revenues and operating expenses by 17 mln zł, increase of income from dividends by 7 mln zł, decrease of result on financial instruments (traded financial instruments, revaluation and investment debt securities) jointly by 62 mln zł (tj. 61.4%) and increase of net writes off by PLN 120 million.

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

Signature of the Financial Reporting and Control
Department
Vice Director

Signature of the Vice President of
Management Board

Date and signature
11.02.2009

Date and signature
11.02.2009