

Warsaw, 13th of August, 2009

Subject: Initial consolidated financial results of the Capital Group of Bank Handlowy w Warszawie S.A. for the second quarter of 2009

Legal basis: Art. 5 section 1 item 25) of the Ordinance of the Minister of Finance on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required under the law of a non-member state dated 19 February 2009 (Journal of Laws No. 33, item 259).

Bank Handlowy w Warszawie S.A. presents initial consolidated financial results of the Capital Group of Bank Handlowy ("Group") for the second quarter of 2009.

The Group recorded PLN 71.4 million initial consolidated net profit in the second quarter of 2009 as compared to PLN 170.1 million in the second quarter of 2008. The consolidated gross profit reached PLN 95.2 million in the second quarter of 2009 as compared to PLN 214.2 million in the second quarter of 2008.

Analysis of the result below.

Summary

- **Operating margin:** PLN 274 million – an increase of 20% as compared to the second quarter of 2008 and 25% as compared to the first quarter of 2009.
- **Operating income:** PLN 626 million – an increase of 3% as compared to the second quarter of 2008 and 6% as compared to the first quarter of 2009.
- **Operating expenses:** PLN 352 million – a decrease of 8% as compared to the second quarter of 2008 and 6% as compared to the first quarter of 2009.
- **The growth of cost effectiveness (cost/income ratio):** 56% – a decrease of 7 p.p. as compared to the second quarter of 2008 and 7 p.p. as compared to the first quarter of 2009.
- **Capital adequacy ratio:** 13.5% - an increase of 1.9 p.p. as compared to the second quarter of 2008 and 2.3 p.p. as compared to the first quarter of 2009.
- **Loans to deposits ratio:** 69% - no change as compared to the second quarter of 2008 and a decrease of 4 p.p. as compared to the first quarter of 2009.

Income statement

Operating profit, which includes net interest and commission income, dividend income, net gains on financial instruments held for trading and on revaluation, net gains on investment debt securities, net gains on investment equity securities and net other operating income / costs, reached PLN 625.9 million in the second quarter of 2009, which constituted an increase of PLN 15.5 million or 3% compared to the second quarter of 2008.

The net interest income amounted to PLN 383.6 million in the second quarter of 2009 in comparison with PLN 324.6 million recorded in comparable period of 2008 (up by PLN 59.0 million, or 18%) and increased stemming mainly from higher income from debt securities as well as lower cost of nonfinancial sector deposits.

Interest income

<i>PLN '000</i>	01.04 - 30.06.2009	01.04 - 30.06.2008	Change PLN'000	%
<i>Interest and similar income from:</i>				
Central Bank	10 606	12 157	(1 551)	(13%)
Placements in banks	12 774	82 858	(70 084)	(85%)
Loans and advances, of which:	312 185	355 381	(43 196)	(12%)
<i>Financial sector</i>	4 822	4 592	230	5%
<i>Non-financial sector, including on credit cards</i>	307 363	350 789	(43 426)	(12%)
	73 987	86 766	(12 779)	(15%)
Debt securities available -for-sale	139 357	82 994	56 363	68%
Debt securities held -for-trading	58 087	18 394	39 693	216%
Total	533 009	551 784	(18 775)	(3%)
<i>Interest expense and similar charges on:</i>				
Operations with the Central Bank	(13 772)	-	(13 772)	-
Deposits from banks	(7 215)	(11 672)	4 457	(38%)
Deposits from financial sector (excl. banks)	(27 095)	(29 867)	2 772	(9%)
Deposits from non-financial sector	(98 189)	(175 408)	77 219	(44%)
Loans and advances received	(3 175)	(10 286)	7 111	(69%)
Total	(149 446)	(227 233)	77 787	(34%)
Net interest income	383 563	324 551	59 012	18%

In the second quarter of 2009 the net commission income reached PLN 130.2 million against PLN 163.5 million in an equivalent period of 2008 (a decrease of PLN 33.3 million or 20%), primarily resulting from a contraction in commissions on insurance and investment products and payment and credit cards in the Retail Banking sector, and in custody services.

Fee and commission income

<i>PLN '000</i>	01.04 - 30.06.2009	01.04 - 30.06.2008	Change PLN'000	%
<i>Fee and commission income</i>				
Insurance and investment products	43 114	63 652	(20 538)	(32%)
Payment and credit cards	40 882	42 644	(1 762)	(4%)
Transaction services	29 001	32 898	(3 897)	(12%)
Custody services	15 562	19 578	(4 016)	(21%)

<i>PLN '000</i>	01.04 - 30.06.2009	01.04 - 30.06.2008	Change	
			PLN'000	%
Brokerage operations	11 353	12 954	(1 601)	(12%)
Other	17 050	18 773	(1 723)	(9%)
Total	156 962	190 499	(33 537)	(18%)
<i>Fee and commission expense</i>				
Payment and credit cards	(17 104)	(14 956)	(2 148)	14%
Brokerage operations	(4 808)	(7 117)	2 309	(32%)
Other	(4 891)	(4 965)	74	(1%)
Total	(26 803)	(27 038)	235	(1%)
<i>Net fee and commission income</i>				
Insurance and investment products	43 114	63 652	(20 538)	(32%)
Payment and credit cards	23 778	27 688	(3 910)	(14%)
Transaction services	29 001	32 898	(3 897)	(12%)
Custody services	15 562	19 578	(4 016)	(21%)
Brokerage operations	6 545	5 837	708	12%
Other	12 159	13 808	(1 649)	(12%)
Total	130 159	163 461	(33 302)	(20%)

The treasury income reached PLN 90.4 million in the second quarter of 2009 as compared to PLN 93.1 million in an equivalent period of 2008 (a decrease of PLN 2.7 million), including in the second quarter 2009 result realized on AFS debt securities portfolio in the amount PLN 15.4 million.

In the second quarter of 2009 the Group's general administrative and depreciation expenses decreased by 30.2 million or 8% as compared to the second quarter of 2008. In the Corporate Banking sector where the total expenses amounted to PLN 156.9 million the decrease in expenses resulted mainly from lower staff and depreciation expenses. In the Retail Banking sector where the total expenses amounted to PLN 194.7 million the lower expenses were due to optimization process in the scope of employment and lower marketing expenses.

General administrative expenses and depreciation expense

<i>PLN '000</i>	01.04 - 30.06.2009	01.04 - 30.06.2008	Change	
			PLN '000	%
Staff expenses	166 901	182 629	(15 728)	(9%)
Remuneration costs	130 820	143 417	(12 597)	(9%)
Perks and rewards	36 081	39 212	(3 131)	(8%)
Administrative expenses	163 505	174 818	(11 313)	(6%)
Telecommunication fees and hardware purchases	41 522	37 026	4 496	12%
Advisory, audit, consulting and other services	38 898	40 248	(1 350)	(3%)
Building maintenance and rent	30 920	26 693	4 227	16%
Marketing	7 307	19 885	(12 578)	(63%)
Transaction costs	14 209	15 599	(1 390)	(9%)

PLN '000	01.04 -	01.04 -	Change	
	30.06.2009	30.06.2008	PLN '000	%
Postal services	10 590	8 077	2 513	31%
Training and education	1 895	3 390	(1 495)	(44%)
Banking supervision	2 300	1 907	393	21%
Other expanses	15 864	21 993	(6 129)	(28%)
Depreciation/amortisation of tangible and intangible assets	21 114	24 291	(3 177)	(13%)
Total	351 520	381 738	(30 218)	(8%)

Net impairment losses in the second quarter of 2009 amounted to PLN 180.5 million (including PLN 67.5 million impairment losses recorded on FX options) as compared to PLN 15.9 million in an equivalent period of 2008. The growth of net impairment losses in the Corporate Banking sector (net impairment losses of PLN 48.6 million) mainly was due to an increase in the IBNR (incurred but not reported) losses resulting from a slowdown in the economy. In the Retail Banking sector (net impairment losses of PLN 64.4 million) the increase in net impairment losses resulted from higher provision on IBNR, a growing loan and credit cards portfolio and an increase of delinquent receivables share.

Income tax reached PLN 23.8 million in the second quarter of 2009.

Balance sheet

As at 30 June 2009, total assets of the Group reached PLN 41 638.1 million and were 2% lower than at the end of 2008.

Assets

A decrease in Cash and balances with Central Bank was due to a lower balance in the Bank's nostro current account in NBP. A 6.2% decrease in loans and advances as compared to 31 December 2008 resulted mainly from a decrease in loans and advances from financial sector. The 16% higher value of held-for-trading financial assets and 11% higher value of debt securities available for sale as compared to the end of 2008 are mainly due to the growth in treasury bonds.

Liabilities

The key item funding the Group's assets are liabilities due to non-financial sector clients. The increase of PLN 1 928.4 million in liabilities due to Central Bank as compared to the end of 2008 is due to repo transactions. The 29% lower value of held-for-trading financial liabilities as compared to 31 December 2008 results mainly from a decrease in derivatives.

Consolidated balance sheet

PLN '000	State as at		Change	
	30.06.2009	31.12.2008	PLN '000	%
ASSETS				
Cash and balances with central bank	1 196 545	3 530 977	(2 334 432)	(66%)
Financial assets held for trading	9 125 375	7 885 488	1 239 887	16%
Debt securities available-for-sale	12 039 321	10 814 828	1 224 493	11%
Equity investments valued by equity method	55 963	56 469	(506)	(1%)
Equity investments	9 881	11 095	(1 214)	(11%)

PLN '000	State as at		Change	
Loans and advances	16 492 808	17 581 499	(1 088 691)	(6%)
to financial sector	3 101 244	3 695 522	(594 278)	(16%)
to non-financial sector	13 391 564	13 885 977	(494 413)	(4%)
Property and equipment	550 331	571 947	(21 616)	(4%)
Intangible assets	1 279 361	1 283 326	(3 965)	(0%)
Deferred income tax	412 627	336 290	76 337	23%
Other assets	451 140	443 159	7 981	2%
Non-current assets available-for-sale	24 736	35 267	(10 531)	(30%)
Total assets	41 638 088	42 550 345	(912 257)	(2%)
LIABILITIES				
Due to central bank	1 928 386	-	1 928 386	-
Financial liabilities held for trading	4 852 599	6 806 790	(1 954 191)	(29%)
Financial liabilities valued at amortized cost	28 256 631	29 345 498	(1 088 867)	(4%)
deposits from	26 946 898	27 857 332	(910 434)	(3%)
financial sector	7 554 154	7 922 260	(368 106)	(5%)
non-financial sector	19 392 744	19 935 072	(542 328)	(3%)
other liabilities	1 309 733	1 488 166	(178 433)	(12%)
Provisions	46 750	24 578	22 172	90%
Income tax	-	77	(77)	-
Other liabilities	797 335	747 593	49 742	7%
Total liabilities	35 881 701	36 924 536	(1 042 835)	(3%)
EQUITY				
Issued capital	522 638	522 638	-	-
Share premium	3 030 546	3 029 703	843	0%
Revaluation reserve	(137 109)	(144 110)	7 001	5%
Other reserves	2 225 635	1 627 692	597 943	37%
Retained earnings	114 677	589 886	(475 209)	(81%)
Total equity	5 756 387	5 625 809	130 578	2%
Total liabilities and equity	41 638 088	42 550 345	(912 257)	(2%)

Gross loans and advances to non-financial sector amounted to PLN 15 047.7 million as at 30.06.2009 and were 1% lower than at the end of 2008.

Loans and advances to non-financial sector, gross

PLN '000	30.06.2009	31.12.2008	Change	
			PLN '000	%
<i>Not at risk of impairment</i>	12 716 171	13 417 615	(701 444)	(5%)
<i>corporate customers</i>	7 192 543	7 987 933	(795 390)	(10%)
<i>individual customers</i>	5 523 628	5 429 682	93 946	2%
<i>At risk of impairment</i>	2 331 499	1 855 528	475 971	26%
<i>corporate customers</i>	1 873 655	1 508 098	365 557	24%
<i>individual customers</i>	457 844	347 430	110 414	32%
Total	15 047 670	15 273 143	(225 473)	(1%)
Impairment	1 656 106	1 387 166	268 940	19%
Loans and advances to non-financial sector, net	13 391 564	13 885 977	(494 413)	(4%)

Loans and advances to non-financial sector, gross

	30.06.2009	31.12.2008	Change	
PLN '000			PLN '000	%
Provision coverage ratio	71%	75%		

Net loans and advances reached PLN 16 492.8 million as at 30.06.2009 and were 6% lower than at the end of 2008.

Loans and advances to non-financial sector, net

	30.06.2009	31.12.2008	Change	
PLN '000			PLN '000	%
Nonfinancial sector				
<i>Corporate clients</i>	7 828 305	8 425 549	(597 244)	(7%)
<i>Individual customers, including:</i>	5 563 259	5 460 428	102 831	2%
<i>Credit cards</i>	2 268 189	2 215 099	53 090	2%
<i>Cash loans to customers</i>	3 031 260	2 984 266	46 994	2%
Total	13 391 564	13 885 977	(494 413)	(4%)
Financial sector				
<i>Banks and other monetary financial institutions</i>	2 682 737	3 017 739	(335 002)	(11%)
<i>Non-banking financial institutions</i>	418 507	677 782	(259 275)	(38%)
Total	3 101 244	3 695 521	(594 277)	(16%)
Total loans and advances	16 492 808	17 581 499	(1 088 691)	(6%)

Deposits amounted to PLN 26 946.9 million as at 30.06.2009 and were 3% lower than at the end of 2008.

Deposits

	30.06.2009	31.12.2008	Change	
PLN '000			PLN '000	%
Nonfinancial sector				
			134	
Current accounts:	7 611 563	7 476 940	623	2%
<i>corporate customers</i>	4 089 931	4 295 684	(205 753)	(5%)
<i>individual customers</i>	3 521 632	3 181 256	340 376	11%
Deposits:	11 759 414	12 431 216	(671 802)	(5%)
<i>corporate customers</i>	9 799 233	10 139 873	(340 640)	(3%)
<i>individual customers</i>	1 960 181	2 291 343	(331 162)	(14%)
Accrued interest	21 767	26 916	(5 149)	(19%)
Total	19 392 744	19 935 072	(542 328)	(3%)
Financial sector				
<i>Banks and other monetary financial institutions</i>	3 129 330	3 341 920	(212 590)	(6%)
<i>Non-banking financial institutions</i>	4 424 824	4 580 340	(155 516)	(3%)
Total	7 554 154	7 922 260	(368 106)	(5%)
Total deposits	26 946 898	27 857 332	(910 434)	(3%)