



INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
OF THE CAPITAL GROUP OF
BANK HANDLOWY W WARSZAWIE S.A.
FOR THE FIRST QUARTER 2006

MAY 2006

Selected financial data

	In PLN '000		In EUR '000	
	Year to date period from 01/01/06 to 31/03/06	Year to date period from 01/01/05 to 31/03/05	Year to date period from 01/01/06 to 31/03/06	Year to date period from 01/01/05 to 31/03/05
Summary consolidated financial data of the Capital Group				
Interest income	380,209	437,724	98,869	109,014
Fee and commission income	169,439	157,749	44,060	39,287
Profit / (loss) before tax	302,959	166,595	78,781	41,490
Net profit / (loss)	235,669	138,522	61,283	34,499
Increase of net cash	1,519,448	879,078	386,068	215,265
Total assets*	33,038,804	32,915,502	8,394,645	8,527,774
Financial liabilities valued at amortized cost*	23,215,710	23,084,589	5,898,750	5,980,773
Shareholders' equity	5,466,815	6,424,599	1,389,032	1,573,230
Share capital	522,638	522,638	132,794	127,981
Number of shares	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	41.84	49.17	10.63	12.04
Capital adequacy ratio (%)*	15.39	14.63	15.39	14.63
Earning per ordinary share (PLN / EUR)	1.80	1.06	0.47	0.26
Diluted net profit per ordinary share (PLN / EUR)	1.80	1.06	0.47	0.26

Summary financial data of the Bank - parent company				
Interest income	373,767	429,722	97,193	107,021
Fee and commission income	148,585	132,620	38,638	33,029
Profit / (loss) before tax	280,596	146,768	72,965	36,552
Net profit / (loss)	216,935	118,984	56,411	29,633
Increase of net cash	1,519,466	879,130	386,073	215,278
Total assets*	32,543,170	32,669,425	8,268,712	8,464,020
Financial liabilities valued at amortized cost*	23,143,129	23,223,955	5,880,308	6,016,880
Shareholders' equity	5,354,763	6,338,882	1,360,562	1,552,240
Share capital	522,638	522,638	132,794	127,981
Number of shares	130,659,600	130,659,600	130,659,600	130,659,600
Book value per share (PLN / EUR)	40.98	48.51	10.41	11.88
Capital adequacy ratio (%)*	14.36	13.37	14.36	13.37
Earning per ordinary share (PLN / EUR)	1.66	0.91	0.43	0.23
Diluted net profit per ordinary share (PLN / EUR)	1.66	0.91	0.43	0.23
Declared or distributed dividends per ordinary share (PLN / EUR)**	3.60	11.97	0.91	2.93

* Comparable financial data is presented as at 31 December 2005

** The presented ratios are related to, respectively: declared dividends from the appropriation of the 2005 profit as well as from dividends distributed in 2005 from the appropriation of the 2004 profit and from retained earnings.

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Consolidated income statement

<i>In thousands of PLN</i>	Year to date period from 01/01/06 to 31/03/06	Year to date period from 01/01/05 to 31/03/05
Interest and similar income	380,209	437,724
Interest expense and similar charges	(134,929)	(183,046)
Net interest income	245,280	254,678
Fee and commission income	169,439	157,749
Fee and commission expense	(23,404)	(22,278)
Net fee and commission income	146,035	135,471
Net income on financial instruments valued at fair value through profit and loss account	10,254	18,632
Net gain on investment (deposit) securities	32,731	34,238
Net profit on foreign exchange	99,991	94,594
Other operating income	28,838	25,481
Other operating expenses	(12,636)	(15,700)
Net other operating income	16,202	9,781
General administrative expenses	(338,291)	(342,756)
Depreciation expense	(33,344)	(34,585)
Profit / (loss) on sale of tangible fixed assets	116,345	(136)
Net impairment losses	2,513	(3,647)
Operating income	297,716	166,270
Share in profits / (losses) of undertakings accounted for under the equity method	5,243	325
Profit before tax	302,959	166,595
Income tax expense	(67,290)	(28,073)
Net profit	235,669	138,522
Weighted average number of ordinary shares	130,659,600	130,659,600
Net profit per ordinary share (in PLN)	1.80	1.06
Diluted net profit per ordinary share (in PLN)	1.80	1.06

Consolidated balance sheet

	31/03/2006	31/12/2005
<i>In thousands of PLN</i>		
ASSETS		
Cash and balances with central bank	2,376,371	922,649
Financial assets held for trading	4,960,592	5,883,358
Debt securities available-for-sale	5,985,764	7,171,157
Equity investments valued at equity method	67,128	61,884
Other equity investments	20,615	20,615
Loans and advances	16,819,545	16,074,250
<i>to financial sector</i>	7,085,467	6,467,157
<i>to non-financial sector</i>	9,734,078	9,607,093
Property and equipment	686,636	700,212
<i>land, buildings and equipment</i>	645,688	659,264
<i>investment property</i>	40,948	40,948
Intangible assets	1,308,357	1,313,799
Deferred income tax assets	277,519	299,290
Other assets	523,537	430,574
Non-current assets held-for-sale	12,740	37,714
Total assets	33,038,804	32,915,502
LIABILITIES		
Financial liabilities held for trading	3,211,101	3,420,219
Financial liabilities valued at amortized cost	23,215,710	23,084,589
<i>deposits from</i>	22,483,595	22,485,156
<i>financial sector</i>	5,497,752	5,223,503
<i>non-financial sector</i>	16,985,843	17,261,653
<i>other liabilities</i>	732,115	599,433
Provisions	64,335	56,251
Income tax liabilities	12,638	163,311
Other liabilities	1,068,205	918,991
Liabilities held-for-sale	-	7,329
Total liabilities	27,571,989	27,650,690
EQUITY		
Issued capital	522,638	522,638
Share premium	3,010,452	3,010,452
Revaluation reserve	(98,220)	(64,554)
Other reserves	1,128,860	1,128,860
Retained earnings	903,085	667,416
Total equity	5,466,815	5,264,812
Total liabilities and equity	33,038,804	32,915,502

Consolidated statement of changes in equity

<i>In thousands of PLN</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2005	522,638	3,077,176	(9,371)	2,130,962	517,286	6,238,691
Effects of transition to IFRS*	-	-	2,479	-	28,915	31,394
Balance as at 1 January 2005- after restatement	522,638	3,077,176	(6,892)	2,130,962	546,201	6,270,085
Valuation of financial assets available-for-sale	-	-	53,982	-	-	53,982
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(34,238)	-	-	(34,238)
Deferred income tax on valuation of financial assets available-for-sale	-	-	(3,752)	-	-	(3,752)
Net profit	-	-	-	-	138,522	138,522
Closing balance as at 31 March 2005	522,638	3,077,176	9,100	2,130,962	684,723	6,424,599

*in respect of IAS 32 and IAS 39

<i>In thousands of PLN</i>	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2006	522,638	3,010,452	(64,554)	1,128,860	667,416	5,264,812
Valuation of financial assets available-for-sale	-	-	(8,833)	-	-	(8,833)
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(32,731)	-	-	(32,731)
Deferred income tax on valuation of financial assets available-for-sale	-	-	7,898	-	-	7,898
Net profit	-	-	-	-	235,669	235,669
Closing balance as at 31 March 2006	522,638	3,010,452	(98,220)	1,128,860	903,085	5,466,815

Summary consolidated statement of cash flows

<i>In thousands of PLN</i>	Year to date period from 01/01/06 to 31/03/06	Year to date period from 01/01/05 to 31/03/05
Cash at the beginning of reporting period	1,005,340	972,156
Cash flows from operating activities	1,248,844	943,345
Cash flows from investing activities	160,251	(44,088)
Cash flows from financing activities	110,352	(20,178)
Cash at the end of reporting period	2,524,788	1,851,235
Increase / (decrease) in net cash	1,519,448	879,078

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. The Bank 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 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 operates in the following segments of business through its subordinated entities:

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

The Group consists of the following subordinated entities:

Subsidiaries	Registered office	% of votes at the General Meeting of Shareholders	
		31.03.2006	31.12.2005
<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
Citileasing Sp. z o.o.	Warsaw	-	100,00
Handlowy Zarządzanie Aktywami S.A.	Warsaw	-	100,00
Towarzystwo Funduszy Inwestycyjnych Banku Handlowego S.A.	Warsaw	-	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 S.A.	Luxembourg	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

Associates accounted for under the equity method:

Associates	Registered office	% of votes at the General Meeting of Shareholders	
		31.03.2006	31.12.2005
Handlowy-Heller S.A.	Warszawa	-	50,00

The changes in the holding of shares in associates in Q1, 2006 result from the sale or merger of these entities in 2006. Detailed information about these transactions is presented in Note 9.

2. Basis of preparation of the report

The interim consolidated financial statements of the Group for the reporting period ended 31 March 2006 have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and in respect to matters that are not regulated by the above standards, in accordance with the requirements of the Accounting Act dated 29 September 1994 (Official Journal from 2002, No. 76, item 694 with amendments) and respective bylaws and regulations, and the requirements for issuers of securities admitted or sought to be admitted to trading on an official stock-exchange listing market.

These interim consolidated financial statements comply with IAS 34 on the preparation of interim financial statements.

The interim consolidated financial statements of the Group have been prepared for the period from 1 January 2006 to 31 March 2006. Comparable financial data for the balance sheet is presented as at 31 December 2005, while for the income statement, statement of changes in equity and statement of cash flows are presented for the period from 1 January 2005 to 31 March 2005.

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

The interim consolidated financial statements of the Group have been prepared in accordance with accounting policies adopted and summarised in the annual consolidated financial statements of the Group as of 31 December 2005.

Selected financial data presented at the beginning of the consolidated quarterly report has been quoted in two currencies – in PLN and EUR. The principles of translating PLN into euro are as follows:

1. individual items of balance sheet assets and liabilities are translated into euro based on the average exchange rate on the balance sheet date, as announced by the National Bank of Poland, at PLN 3.9357 as on 31 March 2006, PLN 3.8598 as on 31 December 2005 and PLN 4.0837 as on 31 March 2005;
2. individual items of the income statement are translated into euro according to the exchange rate representing the arithmetic mean of average exchange rates announced by the National Bank of Poland, on the last day of each completed month of the periods covered by the quarterly report which, in relation to the first quarter of 2006, was PLN 3.8456, on an aggregate basis; in relation to the first quarter of 2005 was PLN 4.0153 on an aggregate basis.

3. Segmental reporting

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

Corporate and Investment Bank

- Within the Corporate and Investment 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 credit cards to customers, 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.

CitiFinancial

- Within the CitiFinancial segment the Group offers cash loans consolidated loans to customers and mortgage loans. The segment products are offered via the dynamically developing network of small outlets conveniently located next to housing estates and shopping centres as well as financial agents.

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

Transactions between individual segments of the Group are concluded on an arm's length basis.

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 first quarter of 2006

<i>In thousands of PLN</i>	Corporate and Investment Bank	Consumer Bank	CitiFinancial	Total
Net interest income	101,135	105,651	38,494	245,280
Net fee and commission income	80,757	61,839	3,439	146,035
Net income on financial instruments valued at fair value through profit and loss account	8,588	1,666	-	10,254
Net gain on investment (deposit) securities	32,731	-	-	32,731
Net profit on foreign exchange	92,106	7,885	-	99,991
Net other operating income	15,538	660	4	16,202
General administrative expenses	(166,176)	(145,016)	(27,099)	(338,291)
Depreciation expense	(24,324)	(8,710)	(310)	(33,344)
Profit/ (loss) on sale of tangible fixed assets	104,254	12,091	-	116,345
Net impairment losses	(2,952)	13,968	(8,503)	2,513
Operating income	241,657	50,034	6,025	297,716
Share in profits / (losses) of undertakings	5,243	-	-	5,243
Profit before tax	246,900	50,034	6,025	302,959
Income tax expense				(67,290)
Net profit				235,669

Assets and liabilities of the Group by business segment as of 31 March 2006

<i>In thousands of PLN</i>	Corporate and Investment Bank	Consumer Bank	CitiFinancial	Total
Assets including:	29,967,063	2,356,402	715,339	33,038,804
<i>Non-current assets held-for-sale</i>	12 740	-	-	12 740
Liabilities including:	27,145,116	5,748,975	144,713	33,038,804

Consolidated income statement by business segment for first quarter 2005

<i>In thousands of PLN</i>	Corporate and Investment Bank	Consumer Bank	CitiFinancial	Total
Net interest income	113,139	120,277	21,262	254,678
Net fee and commission income	82,206	52,147	1,118	135,471
Net income on financial instruments valued at fair value through profit and loss account	17,120	1,512	-	18,632
Net gain on investment (deposit) securities	34,238	-	-	34,238
Net profit on foreign exchange	87,725	6,869	-	94,594
Net other operating income	9,903	(122)	-	9,781
General administrative expenses	(184,047)	(138,232)	(20,477)	(342,756)
Depreciation expense	(24,562)	(9,726)	(297)	(34,585)
Profit/ (loss) on sale of tangible fixed assets	840	(976)	-	(136)
Net impairment losses	13,865	(14,338)	(3,174)	(3,647)
Operating income	150,427	17,411	(1,568)	166,270
Share in profits / (losses) of undertakings	325	-	-	325
Profit before tax	150,752	17,411	(1,568)	166,595
Income tax expense				(28,073)
Net profit				138,522

Assets and liabilities of the Group by business segment as of 31 December 2005

<i>In thousands of PLN</i>	Corporate and Investment Bank	Consumer Bank	CitiFinancial	Total
Assets including:	29,915,327	2,368,597	631,578	32,915,502
<i>Non-current assets held-for-sale</i>	27,858	9,856	-	37,714
Liabilities including:	26,886,284	5,910,094	119,124	32,915,502
<i>Liabilities related to non-current assets held-for-sale</i>	2,959	4,370	-	7,329

4. Financial highlights

For the first quarter 2006, the Group reported profit before tax of PLN 303 million, which is an increase of PLN 136 million (i.e. 81.8%) compared to the first quarter of the previous year.

The consolidated net profit for the first quarter 2006 amounted to PLN 236 million, which is an increase of PLN 97 million (i.e. 70.1%) compared to the same period in the previous year.

Net profit of the Group in the current reporting period compared to the first quarter 2005 was influenced significantly by the gain of PLN 116 million on the sale of non-current assets classified as at the end of 2005 as assets held-for-sale, including assets and related liabilities of Towarzystwo Funduszy Inwestycyjnych Banku Handlowego S.A. and Handlowy Zarządzania Aktywami S.A., shares in the associated entity Handlowy Heller S.A. and an organized part of the Bank's business including activities related to the settlement of card transactions within the Consumer Bank. The effect of the sale of assets on the Group's financial result is also a decrease in income by approximately PLN 10 million mainly in respect of commission income and a decrease in general administrative expenses by approximately PLN 8 million.

During the first quarter 2006, the Group's operating income including net interest and commission income, net income on financial instruments, net income on exchange positions, net other operational income increased by PLN 3 million in comparison to the first quarter 2005. The income growth was accompanied by a decrease in operating expenses of PLN 12 million (i.e. 3.1%) which indicates a positive trend for the operating result of the Group.

Additionally, the following factors influenced the Group's operational result for the current period compared to the first quarter 2005:

- net interest and commission income of PLN 391 million remained stable due to an increase of PLN 11 million (i.e. 7.8%) in commission income mainly on investment and insurance products in the Consumer Bank and CitiFinancial segments, offset by the negative effect on commission income resulting from the sale of the Group's assets as mentioned above which generated commission income of approximately PLN 9 million. Additionally net interest income dropped by PLN 9 million (i.e. 3.7%), due to the decreased level of market interest rates as well as a significant change in credit cards interest rates and despite a significant growth in interest income in CitiFinancial. The drop in market interest rates also resulted in lower interest income on available-for-sale debt securities;
- net income on financial instruments (derivatives and debt securities) and net income on foreign exchange position was PLN 143 million in total and remained at a high stable level compared to PLN 147 million achieved in the first quarter 2005 and was accompanied by a good result on client business;
- an increase in net other operational income by PLN 6 million (i.e. 65.6%), which refers mainly to revenues from data processing services provided by the Bank to Citigroup Inc. entities;
- general administrative expenses and amortization costs lower by PLN 6 million (i.e. 1.5%), primarily due to lower employment costs as a result of restructuring of employment and optimisation of the branch network and despite an increase in marketing costs and wages costs. General expenses also decreased due to the sale of assets as mentioned above;
- a net release of impairment provisions on financial assets of PLN 6 million, mainly due to higher reversals of impairment losses on loans and borrowings measured at amortized cost in the Consumer Bank.

5. Activities of the Group in the first quarter of 2006

1. Corporate and Investment Bank

- *Summary*

In the first quarter of 2006, the Corporate and Investment Bank reported profit before tax of PLN 247 million, which was 64% higher than the profit before tax for the first quarter 2005.

Net interest income for the first quarter 2006 amounted to PLN 101 million and was 11% lower than for the first quarter 2005. This resulted from a lower level of market interest rates coupled with a reduced loan portfolio.

Net fee and commission income, which amounted to PLN 81 million, decreased by 2% compared to the first quarter 2005. The decrease in commission income on cash management and trade financing products was offset by higher revenue from custody and brokerage services. The sale of Handlowy Zarządzanie Aktywami S.A. ("HanZA") and Towarzystwo Funduszy Inwestycyjnych Banku Handlowego S.A. ("TFI") also had an impact on the decrease in fee and commission income.

Net income on financial instruments at fair value through profit and loss for the first quarter 2006 amounted to PLN 9 million compared to PLN 17 million for the first quarter 2005. The net income on foreign exchange position for the first quarter 2006 amounted to PLN 92 million compared to PLN 88 million for the first quarter 2005.

Realized net income on available-for-sale securities for the first quarter 2006 amounted to PLN 33 million compared to PLN 34 million for the same period in 2005.

Net other operating income for the first quarter 2006 amounted to PLN 16 million and increased compared to PLN 10 million for the first quarter 2005. The difference results mainly from an increase in revenues from data processing services provided to Citigroup entities in other countries.

Operating expenses in the first quarter of 2006 amounted to PLN 166 million, representing a decrease of 10% compared to the corresponding period in 2005. Expenses were further optimized reflecting the positive impact of the employment restructuring and optimization of the branch network. Costs of services provided by Citigroup to the Bank also decreased. In addition, expenses decreased due to the sale of HanZA and TFI.

In the first quarter 2006, the gain on sale of assets in Corporate Bank amounted to PLN 104 million and included the realized sale of shares in HanZA, TFI and Handlowy-Heller factoring company.

Net impairment losses amounted to PLN 3 million reflecting the creation of impairment provisions for loans whereas in the same period in 2005 there were net releases of PLN 14 million.

a) Transaction Services

- *Trade finance products*

In the first quarter 2006, highlights in the area of trade finance products were the following:

a) conclusion of another insurance policy with Korporacja Ubezpieczeń Kredytowych SA, which enables a continuation the solution based on domestic and international receivables with limited recourse to the Bank's customers,

b) launching a series of workshops conducted in different parts of the country by the Bank's specialists and aimed at raising customer awareness and knowledge of trade finance products, in particular

learning about the latest offer of the Bank in this respect,

c) continuing marketing efforts connected with development of funding of municipal suppliers programs,

d) further development of programs for financing receivables documented with invoices (factoring).

Important transactions and programs completed or implemented in the first quarter of 2006 comprised the following:

- extending one of the major funding programs based on the PayLink card, dedicated to one of the largest sales network for construction materials,
- launching a program to finance suppliers of a key construction investor involved in the construction of roads and motorways in Poland,
- issue of a large customs guarantee for one of the major tobacco companies in Poland.

- *EU products*

In January 2006, as a means of expanding the target group of the Bank's customers, an individualized EU offer was developed aimed at small-sized enterprises.

In February 2006, a conference was organized for local self-government units entitled: "Funding of investment projects by local self-government units – methods to obtain own resources to execute investment projects co-financed with EU funds".

- *Payments*

During the first quarter 2006 there was a significant increase (i.e. by more than 20%) in PLN payment operations on foreign bank accounts compared to the first quarter 2005.

In March 2006, a new fee calculation method for outgoing domestic payments was developed. Under the introduced method of threshold and progressive calculation the amount of calculated fees depends on the number of outgoing domestic payments effected by the customer. The new model enables attractive fee rates to be offered to the Bank's customers and it expands the product offer by meeting the customer's needs.

In March 2006, a 20% increase of the number of international payments made via WorldLink international settlement system owned by Citigroup was noted compared to the first quarter 2005. The WorldLink solution is aimed at customers making a significant number of payments for small amounts. The service has been considerably modified recently, which enabled this service to be offered to further customers.

In agreement with Citibank London, activities have been launched to promote the International Payment Account solution, i.e. a current account maintained for a customer at Citibank branches within the European Union. This solutions meets customer's expectations connected with optimization of settlements and changes to payments effected within the European Union.

- *Liquidity management products*

In the first quarter 2006, a special 5-package product offer was introduced aimed at new customers and at activating inactive customers. The offer is comprised of the following packages: investment package, transaction package, lump sum package, cash payment package and international transactions package.

- *Cash management products*

In March 2006, implementation work was completed relating to the electronic transfer of documentation between the Bank and the customer. Thanks to the use of latest electronic systems which provide for safe data transfer and reliable user identification, the documentation will be exchanged with the customer in electronic form.

- *Card products*

As of March 31, 2006, the number of business cards issued amounted to 14,000. The number of cards issued in the first quarter of 2006 was higher by 14% compared to the corresponding period of the previous year.

The number of prepaid cards issued in the first quarter of 2006 was higher by 40% compared to the corresponding period of the previous year. As of March 31, 2006, the number of issued prepaid cards amounted to 156,000.

In Q1, 2006, the Prepaid Allowance and Scholarship Cards received second prize for the Most Innovative European Corporate Product of 2005. The prize is awarded by the European Payments Consulting Association (EPCA) and the European Card Review (ECR). This prize is to recognize the Prepaid Allowance and Scholarship Cards offered by the Bank as a modern, flexible, innovative product which meets rising expectations of our customers, in this case of public institutions and colleges.

The Citibank Business Debit Card was included in the product package offered to customers opening accounts in the Bank. The addition of the Debit Card to the package should contribute to a dynamic growth of their volume.

b) Capital markets, corporate and investment banking

- *Treasury products*

The beginning of 2006 turned out to be favorable for local financial markets. The inflow of foreign capital strengthened the zloty and boosted the Warsaw stock exchange. Strong sentiment on the bond market was a result of low inflation forecasts and hopes for further interest rate cuts. The situation deteriorated at the beginning of March 2006 and was caused by a global withdrawal of investors from emerging markets in the face of major uncertainty linked with interest rate hikes by the leading central banks. As a result the upward trend of the local currency was reversed. Simultaneously, signs of diminishing chances for further monetary easing after the February 2006 rate cut, caused prices of bonds to decline. By the end of the first quarter of 2006 local political events coincided with this process dragging Polish assets further down.

In Q1, 2006, the Bank was strengthening its position in the FX derivatives market. FX transactions continue to be a solid basis for more advanced and higher margin products. In addition, an internet platform was introduced, which facilitates access for clients to FX derivatives products through web page.

In the area of more sophisticated derivative products, the Bank continued its role as the major market participant, delivering interest rate and commodity hedges to corporate customers. The Bank consolidated its position in the market of structured investment products, offering structured interest rate derivatives on the USD yield curve to institutional investors in Poland. The Bank also brought to the market a structured bond issue based on the PLN yield curve.

The Bank's market maker role in professional markets was maintained in all products existing in the Polish market. The high volume of PLN bonds and PLN interest derivative transactions concluded by the Bank, accompanied by outstanding FX market making activity, confirmed the important role which the Bank is contributing to market liquidity and stability of the financial system.

- *Brokerage*

In the first quarter 2006, the Group's brokerage house (Dom Maklerski Banku Handlowego S.A., "DMBH") maintained its leading position in the brokerage market, obtaining 14.3% share in equity turnover in the secondary market of the Warsaw Stock Exchange ("WSE"). The turnover generated by DMBH in the equity market of WSE totaled PLN 10 650 million. There was higher activity of individual investors observed in the market accompanied by a decrease of foreign investors' activity.

Current high levels of WSE indices and turnover have been caused by strong inflows into the domestic investment funds market. At the same time the outflow of foreign investors is being observed.

The turnover generated by DMBH in the bonds market totaled PLN 99 million, which represented 6.8% of WSE turnover.

In the first quarter of 2006, the first public call for Fortum Wrocław stocks was completed. Subsequently, DMBH as an intermediary, announced another public call for Fortum Wrocław aimed at enabling the caller to withdraw stocks from the regulated market and to realize the stocks.

- *Credit products*

In the first quarter of 2006 the Commercial Bank Risk Division launched a new project in respect of loan granting processes. The project is aimed to further improve competitiveness of the Bank by improving effectiveness of the loans granting process, as well as by achieving economic benefits such as enhanced efficiency and savings due to making the loan granting process more automatic and simplified and centralizing some of the back office functions. One important element of the changes is to better customize the Bank's credit offer according to demand of Commercial Bank's clients.

- *Corporate finance*

In the first quarter of 2006, a syndicate credit was granted to a company in the furniture sector for an amount of EUR 150 million. The Bank acts as the credit agent, Citigroup NA acts as the organizer.

In addition, the Bank acts as the co-organizer of a syndicate credit granted to a company in the telecommunications sector for an amount of PLN 2.5 billion.

In the first quarter of 2006, the Bank signed the extension of a debt securities issuance program for an amount of PLN 600 million for a trade sector company. The Bank acts as the Dealer and Sub-Agent for the transaction.

As of March 31, 2006 (Fitch Ratings Bulletin 6 (214)), the Bank was the leader in short-term debt securities distribution (up to 1 year), the Bank's share amounted to approximately 20%.

As of March 31, 2006, the Bank serviced 28 issue programs, 2 of which were public bonds issue programs.

- *Leasing*

On January 10, 2006 Citileasing sp. z o.o. and Handlowy - Leasing S.A. merged. Since that date the leasing activity of the Group is performed by Handlowy-Leasing sp. z o.o. which was created as a result of the merger.

In the first quarter of 2006, a new Credit Program was implemented covering both the Bank's customers and companies which are not the Bank's customers. It expands the range of assets which can be leased and, as a priority, enables more comprehensive and efficient financing of the Bank's customers.

Together with the Commercial Bank Division, the acquisition campaign "Invest with Us" is being implemented which includes a leasing offer for new customers. Further actions are planned aimed at increasing leasing sales to the Bank's customers.

The net value of assets leased in the first quarter of 2006 amounted to PLN 82.2 million and was higher by 37% than net assets leased in the first quarter of 2005. The structure of assets leased in the first quarter of 2006 included road transportation (84.4%), industrial machinery and equipment (14.4%) and other assets (1.2%).

2. Consumer Bank

- *Summary*

In the first quarter of 2006, the Consumer Bank generated a pre-tax profit of PLN 50 million, which represents a 187% increase as compared with the corresponding period in 2005.

Net interest income amounted to PLN 106 million, a decrease of 12% relative to the corresponding period in 2005 resulting primarily from the decrease in interest rates and significant re-pricing of credit cards, partially offset by an increase in cash loans.

Commission income amounted to PLN 62 million an increase of 19% compared with the first quarter of 2005. The improvement was achieved due to the significant increase in sales of insurance and investment products as well as cash loans.

In the first quarter of 2006, general and administrative expenses of the segment were PLN 145 million, representing a 5% increase compared with the first quarter of 2005. There was a visible cost reduction due to employment as well as branch network restructuring, and at the same time a decision was taken to intensify marketing activities, and this should have a positive impact on future results.

In the first quarter of 2006, there was a net release in impairment provisions of PLN 14 million

reflecting the improvement in the quality of the credit portfolio.

In addition, the Consumer Bank recorded a gain of PLN 12 million related to the sale of an organized part of the Bank's enterprise related to the settlement of card transactions.

a) Credit Cards

As of March 31, 2006, the number of issued cards amounted to 595,000, which represented an 11% increase as compared with the corresponding period of the previous year.

On March 13, 2006, the Bank issued a new Citibank MasterCard FIFA 2006 credit card. This is a limited edition card introduced to the market in connection with the approaching FIFA World Cup.

In the first quarter of 2006, the Bank began to offer a significant increase in the credit card limit to its best customers for the purpose of a one-off cash transfer transaction from the card account. Under the increased limit customers can request a transfer from the credit card account to a personal account indicated by them. Also Citibank Credit Card holders with personal accounts in other banks can effect the transfer of funds – in each case the funds can be appropriated for any purpose. The new offer is especially attractive as the credit can be apportioned into equal installments under the "Komfort" Installment Plan on terms convenient to the customer. The customer decides the number of installments. The Bank offers a choice of repayment periods up to 60 months.

Since March 4, 2006, the Bank has been offering the CitiAlerts service to its customers. It replaces CitiGSM and is one of the best solutions of this type available in the market. A customer with active CitiAlerts is informed (via SMS or e-mail depending on the preferred method) about credit card transactions details, about the credit limit available, debt balance, debt repayment date, etc.

b) Retail banking

- *Credit products*

In Q1, 2006, the Bank achieved excellent sales of the Citibank Loan. The key drivers that supported the sales were changes to the loan price offer and the nationwide advertising campaign of the Citibank Loan.

In addition, a number of changes have been introduced to the Bank's credit policy, which enabled those customers who thus far did not qualify to receive the loan to be easily granted one. During the period, a new rating model was also introduced based on information from the Credit Information Office, which takes into account the entire credit history of customers and thus significantly improves their chance of being granted a loan by the Bank.

- *Bank accounts*

In the first quarter of 2006, the Bank continued promotional campaigns connected with expansion of the target market in the CitiGold segment regarding personal accounts. Another focus were actions aimed at increasing the deposit base among retail customers. The Bank made attempts to encourage customers to actively use the Bank's services, aimed in particular at those customers who opened a CitiGold Personal Account in Q1, 2006.

During the period, similar to credit cards product, bank account services were enhanced with the CitiAlerts service, which replaced the CitiGSM service. This service provides for sending SMSs providing information about changes to the account balance, making, maturing or terminating a deposit, excess of the balance limit allowed, etc. Most messages are sent to the customer in real time.

As of March 31, 2006, the Bank maintained 315,000 current accounts.

- *Investment products*

In Q1, 2006, income from investment products was as much as 79% higher than income in the corresponding period of 2005. This excellent result is generated by sales of Polish and offshore mutual funds, unit-linked and structured products.

In Q1, 2006, 9 subscriptions of Market Linked Deposits and 11 subscriptions of Structured Notes took place. A number of seminars were organized for customers regarding standard and alternative investment methods. In March 2006 the single premium unit-linked product with underlying offshore funds expanded the Bank's retail offer.

In respect of investment management and asset management products, the Bank takes an "open architecture" approach. The philosophy of the business model is to deliver to the Bank's clients an investment management offer where investment funds offer the highest value, in terms of returns, transparency and competence in management as well as in terms of compliance with the highest standards of products offered by the Bank.

The asset management offer is focused on distribution of selected products that are offered by the Polish and foreign investment funds. Selected funds enable customers to achieve satisfactory returns, which suit the customers' expectations and preferences.

Currently, selected funds are managed by 4 well known fund houses in Poland: TFI Banku Handlowego S.A, DWS Polska TFI S.A., ING TFI S.A. and Union Investment TFI S.A. Moreover, the Bank offers offshore mutual funds managed by Legg Mason Investment (previously managed by Citigroup Asset Management before the sale transaction). The offer of single premium unit-linked product with underlying offshore funds include funds of Franklin Templeton and Credit Suisse.

- *Insurance products*

In Q1, 2006, income from insurance products was 36% higher than income in the corresponding period of 2005. The increasing popularity of insurance and investment products contributed to this result.

In March, 2006, the Euro Foreign Funds Portfolio and Dollar Foreign Funds Portfolio – life insurance with insurance equity fund were introduced to the offer. They are unique products created for the Bank's customers in cooperation with AEGON TUnŻ S.A. (formerly Nationwide TUnŻ S.A.). The Foreign Funds Portfolio represents a modern investment solution in the form of an insurance policy with a one-off contribution. Combining investment with insurance allows customers to benefit from capital appreciation and to enjoy product advantages resulting from its insurance policy nature.

Since January 1, 2006, important changes have been introduced to the Credit Card Security Package. This is an optional insurance package for credit card holders. The new package was expanded by three insurance products and replaced its previous version. The insurance coverage under the „Security Package” is provided by AIG Polska Towarzystwo Ubezpieczeń na Życie S.A.

- *Electronic banking*

The majority of electronic banking customers still prefer to effect financial transactions via Citibank Online. As at the end of Q1, 2006, the number of users that at least once logged into Citibank Online increased considerably as compared with the corresponding period of the previous year. The expansion of the distribution channel is driven by an appropriate pricing policy, special offers and extensive functionality.

- *Marketing*

In February and March 2006, the Citibank Loan offer was supported by a nationwide media campaign in the press, radio, internet and on billboards. The branches and materials for customers also promoted the time deposits combined offer.

The introduction of the new MasterCard FIFA 2006 credit card, limited edition, in connection with the FIFA World Cup was communicated to customers through marketing materials displayed at branches and distributed by the Bank's representatives by direct sales. A promotion lottery with prizes was prepared for new customers and price promotions provided additional encouragement.

In the first quarter of 2006, the existing customers were offered other retail products (cross sales), including the Investment Portfolio with foreign funds, which is new to the offer.

3. CitiFinancial

- *Summary*

In the first quarter 2006, CitiFinancial reported profit before tax of more than PLN 6 million, compared to a loss of PLN 1.5 million recorded in the first quarter 2005.

Net interest income of PLN 38 million increased by 81% compared to the first quarter 2005 despite significant changes in the price structure resulting from the anti-usury Act, which came into force as of 14 February. The growth in net interest income results from an increase in the loan portfolio, which increased by 83% during the same period.

Net commission income amounted to PLN 3 million in the first quarter of 2006 and strongly increased by 208% as compared to the corresponding period of 2005.

At the same time operating expenses increased only by 32%, to PLN 27 million, which resulted from a dynamic development of the distribution network. The number of branches increased by 31, up to 71 from March 2005. Nine branches were opened in March 2006. It is necessary to emphasize the high positive operating leverage, being the difference between the increase in revenues and increase in costs, maintained during this dynamic investment phase.

Net write-offs for credit risk in the first quarter 2006 equaled PLN 8.5 million, while in the same period in 2005 they amounted to PLN 3.2 million. The increase in write-offs resulted from a significant growth in the loan portfolio and write-offs did not exceed the budgeted level compared to the volume of the portfolio.

- *Marketing / Expansion*

The first quarter of 2006 was a period of credit portfolio growth. The portfolio grew by 83% as compared with Q1, 2005. The sales dynamic was very high – 62% higher than in the first quarter of the previous year.

In the first quarter of 2006, the number of CitiFinancial branches increased from 62 to 71. The ability to expand the network whilst maintaining the best standards of customer service are the key factors for the continued high returns from CitiFinancial investments.

In the first quarter of 2006, CitiFinancial conducted a media advertisement campaign (mainly locally) and intensive marketing action among existing customers.

4. Restructuring of the branch network

In Q1, 2006, the Bank continued the expansion and reorganization of the branch network to optimize its cost effectiveness and availability to retail and corporate customers. The branch network increased by 25 outlets as compared with Q1, 2005, and consisted of 198 outlets as at the end of Q1, 2006:

1. 41 branches and sub-branches of the Corporate Bank (23 also serve retail customers);
2. 86 branches of Consumer Bank, including 1 Investment Center, 12 outlets dedicated to CitiGold Wealth Management customers and 73 multifunctional outlets (13 branches of Consumer Bank also serve corporate customers);
3. 71 branches of CitiFinancial (located in shopping centers and in the vicinity of residential areas).

The above structure comprises a differentiated solution to ensure optimized access to services for all the existing and prospective customers of the Bank.

6. Seasonality or cyclical nature of business activity

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

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

No debt or equity securities were issued, bought out or repaid in the first quarter of 2006.

8. Paid or declared dividends

Declared dividends

On 27 March 2006 the Management Board of the Bank adopted a Resolution proposing the distribution of 2005 profit. The Management Board of the Bank proposed to pay out PLN 470,374,560 as a dividend. This proposal means that the dividend per one ordinary share amounts to PLN 3.60. The date of determination of the right to the dividend was designated as 5 July 2006 and the date of dividend payment as 31 August 2006. The resolution was submitted to the Supervisory Board of the Bank for its opinion and will be submitted to the General Meeting of Shareholders for approval.

9. Changes in the Group's structure

On 10 January 2006 Citileasing sp. z o.o. (Bidding Company) and Handlowy - Leasing S.A. (Target Company), subordinated entities of the Bank, merged in accordance with the resolution (signed on 2

December 2005) of the Extraordinary Meeting of Partners of Citileasing sp. z o. o. and the Extraordinary General Meeting of Handlowy Leasing S.A. The entire assets of the Target Company were transferred to the Bidding Company without increasing the equity of the Bidding Company because the Bidding Company holds all the shares of Target Company. The Bidding Company operates under the firm Handlowy - Leasing sp. z o.o. The Bank and Handlowy-Inwestycje sp. z o. o. hold shares in Handlowy - Leasing sp. z o. o. The Bank holds all shares in Handlowy - Inwestycje sp. z o. o. The Bank holds 97.47% of shares – 6,000 votes at Meeting of Partners. Handlowy - Inwestycje holds 2.53% of shares - 156 votes at Meeting of Partners. The Target Company used purchased assets to conduct lease activity. The Bidding Company is going to use these assets in the same way.

On 31 January 2006 in aid of Cardpoint SA, with its headquarters in Poznań, the Bank completed the sale of financial and separate tangible and intangible assets representing an organized part of the Bank's enterprise that consists of card's transaction settlements with the Consumer Banking Sector. The Bank rents POS terminals and provides service as a settlement agent in accordance with the Electronic Payment Instruments Act of 12 September 2002. The sale of the entity resulted from the sale agreement of 29 November 2005. The Extraordinary General Meeting of the Bank agreed on the sale of an organized part of the Bank's enterprise in the resolution of 22 December 2005. As at 31 December 2005 the assets together with liabilities that are directly related to them representing the organized part of the Bank's enterprise were classified as non-current assets held-for-sale and are presented as "Non-current assets held-for-sale" in the balance sheet.

On the basis of the agreement signed on 16 November 2005 between the Bank and Citibank Overseas Investment Corporation ("COIC") the subordinated entity of Citigroup Inc, that obliges the Bank to sell all owned shares in the share capital of Towarzystwo Funduszy Inwestycyjnych Banku Handlowego S.A. and Handlowy Zarządzanie Aktywami S.A. ("the Company") in aid of COIC or the advisable entity (Legg Mason or its associate could be the only advisable entity), the disposal agreements of Companies' shares were signed. On 1 February 2006 the Bank and Legg Mason Inc. ("the Purchaser") signed the disposal agreement of the Companies' shares.

On the basis of this agreement the Bank transferred the ownership of the following shares in aid of the Purchaser:

- 130,000 of ordinary shares of Towarzystwo Funduszy Inwestycyjnych Banku Handlowego S.A. ("TFI") with its headquarters in Warsaw constituting PLN 100 of nominal value per share. The total nominal value amounted to PLN 13,000,000 constituting 100% of its share capital. The registered value of the sold shares of TFI on the transaction date amounted to PLN 42,000,000.
- 5,000 of ordinary shares of Handlowy Zarządzanie Aktywami S.A. with its headquarters in Warsaw ("HANZA") constituting PLN 1,000 of nominal value per share. The total nominal value amounted to PLN 5,000,000 constituting 100% of its share capital. The registered value of the sold shares of HANZA on the transaction date amounted to PLN 5,000,000.

The sale price of the Companies' shares amounted to USD 44,550,000 that represents PLN 139,927,095 in accordance with the exchange rate set on 1 February by Central Bank of Poland. There are no relations between the Bank and persons who manage and supervise the Bank and the Purchaser and person who manage the Purchaser. As a result of the sale the Bank doesn't hold any shares in the Companies. As at 31 December TFI and HANZA assets together with liabilities that are directly related to them were classified as non-current assets held-for-sale and presented as "Non-current assets held-for-sale" in the balance sheet.

On the basis of the preliminary sale agreement of 2 November 2005 the Bank and Handlowy-Inwestycje Sp. z o.o. (a subsidiary of the Bank) ("HI") and ING Commercial Finance B.V with its headquarters in Amsterdam, Holland ("the Purchaser") signed on 2 February 2006 the sale agreement. On the basis of this agreement the Bank and HI by the agency of Dom Maklerski Banku Handlowego SA transferred all owned shares in the share capital of Handlowy-Heller SA with its headquarters in Warsaw ("the Company") in aid of the Purchaser. The subject of the contract was 111,880 A series

shares and 388,120 B series shares each of PLN 10 of nominal value and representing 50 % in the share capital of the Company.

The Bank transferred 111,880 A series shares and 138,119 B series shares each of PLN 10 of nominal value. These shares constitute approximately 25 % in the share capital of the Company and at General Meeting. On the transaction date the value of the shares sold in the Bank's balance sheet amounted to PLN 2,751,738.99 , whereas in HI's balance sheet they amounted to PLN 8,056,435.22

HI (a subsidiary of the Bank) transferred 250,001 B series shares of PLN 10 of nominal value per share. These shares constitute approximately 25 % in the share capital of the Company and at General Meeting. The sale price amounted to EUR 5,800,000. The transferable shares are long-term capital placement of the Bank. There are no relations between the Bank and persons who manage and supervise the Bank and the Purchaser and persons that manage the Purchaser. As a result of the sale the Bank and its subsidiaries didn't hold any shares in the Companies. On 16 March in the National Court Register the new name of the company was registered – ING Commercial Finance Polska S.A. As at 31 December the shares in the Company were classified as non-current assets held-for-sale and presented as "Non-current assets held-for-sale" in the balance sheet.

In addition as at 31 December 2005 and 31 March 2006 an organized part of the Bank's enterprise that consists of holiday resorts located in Dźwirzyna, Rowy, Skubianka, Łeba and Wisła was classified as non-current assets held-for-sale. An active program to locate buyers and complete the sale plan has been initiated and is currently highly advanced. The sale transaction is expected to be completed by the end of 2006. The Extraordinary General Meeting agreed on the sale of this organised part of the Bank's enterprise in a resolution dated 22 December 2005. These assets are presented as "Non-current assets held-for-sale" in the balance sheet.

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

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.

11. Movements in off-balance sheet commitments

As at 31 March 2006 there were no material changes in respect of off balance sheet contingent liabilities in comparison to the 2005 year end. The off-balance sheet commitments are as follows:

<i>In thousand of PLN</i>	31/03/2006	31/12/2005
Contingent liabilities		
Granted liabilities		
a) financial	8,868,606	8,868,606
<i>Import letters of credit issued</i>	157,934	132,216
<i>Lines of credit granted</i>	8,391,104	8,720,951
<i>Deposits to be distributed</i>	5,508	15,439
b) guarantees	2,244,207	2,796,063
<i>Guarantees</i>	2,218,066	2,778,598
<i>Export letters of credit confirmed</i>	26,141	17,465
	10,798,753	11,664,669
Received liabilities		
a) financial	100,000	-
b) guarantees	2,544,826	2,341,400
<i>Guarantess received</i>	2,544,826	2,341,400
	2,644,826	2,341,400
Current off-balance sheet transactions	5,964,269	782,183
Term of balance sheet transactions	284,723,543	275,918,731
	304,131,391	290,706,983

12. Achievement of 2006 forecast results

The Bank, as the dominant entity, did not disclose its forecast results for the year 2006.

13. Information about shareholders

As of 31 March 2006, the following shareholders of the Bank held, directly or indirectly through subsidiaries, a minimum of 5% of votes at the General Meeting of Shareholders of Bank Handlowy w Warszawie S.A.:

- 1) Citibank Overseas Investment Corporation (COIC), a subsidiary of Citibank N.A., held 75% of votes at the General Meeting of Shareholders of Bank Handlowy w Warszawie S.A. and 97,994,700 shares, i.e. 75% of the authorised share capital of the Bank.
- 2) International Finance Associates (IFA), a subsidiary of COIC, held 14.3% of votes at the General Meeting of Shareholders of Bank Handlowy w Warszawie S.A. and 18,722,874 votes, i.e. 14.3% of total votes at the Bank's General Meeting of Shareholders.

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

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

As of the submission date of the consolidated quarterly report, to the best knowledge of the Bank, persons holding management and supervisory positions held 752 shares of the Bank. Mr Andrzej Olechowski – a member of the Supervisory Board, holds these shares. Other managing persons did not declare ownership of Bank's shares.

The number of Bank shares held by managing and supervising persons has not changed since the previous consolidated quarterly report, at the same time Mr Krzysztof Opolski who was appointed for a position of Member of the Supervisory Board by the Extraordinary Shareholders' Meeting as at 27 February 2006 declared that he owned 24 shares of the Bank which were sold on 14 March 2006 for the total price of PLN 1 660.8 and currently he doesn't own any Bank's shares (current report No 19/2006 from 19 April 2006).

15. Information on pending proceedings

During the first quarter 2006, 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 equalled PLN 1,447 million.

The amount of debts of the Bank and its subsidiaries decreased compared to the end of the fourth quarter 2005 as a result of closing some cases with the participation of the Bank or its subsidiaries as the claimant or the applicant for assigning the court enforcement clause to bank collection title and bankruptcy proceedings. 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. It should be emphasized that the aforementioned court proceedings, especially bankruptcy and voluntary arrangement proceedings, are long-lasting and protracted. Due to the aforementioned lengthiness of proceedings, only 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 which started a few years ago.

In accordance with valid regulations, the Group recognizes proper impairment losses for debts 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 a part or in whole. The situation is the same in the case of finalized voluntary arrangement proceedings, when after reducing debts, 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 repay it 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 expects to complete the bankruptcy proceeding by the end of 2006. The Bank expects to receive a resolution on the completion of bankruptcy proceeding.
Creditor: Bank Handlowy w Warszawie S.A.	65,947	In 2000, the court declared the borrower bankrupt.	Within the framework of the pending proceedings, the Bank submitted a receivable. The Bank's receivable is classified as category VI and may remain unpaid.
Plaintiff: Bank Handlowy w Warszawie S.A.	33,976	Suit for payment under loan liability from 29 June 2003	Case pending. The writ of payment was issued on 8 September 2003. The defendant has raised objections to the writ for payment. On 30 May 2005 the court hold the legal force of the writ of payment. The defendant lodged an appeal. As at 4 April 2006 the appeal was disallowed by the appeal court. The defendant is planning to lodge a counter appeal.
Creditor: Bank Handlowy w Warszawie S.A.	47,054	On 22 June 2001, the court declared the debtor bankrupt.	Case pending. The Bank submitted its receivables to the proceedings.
Creditor: Bank Handlowy w Warszawie S.A.	30,953	The court declared the debtor bankrupt in March 2004.	The Bank submitted the receivable to repay it from the bankrupt's assets for arrangement. Case pending (loan-related receivable).

During the first quarter 2006, 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.

The total value of all court proceedings with the participation of the Bank and subsidiaries of the Bank regarding liabilities exceeded 10% of the Bank's equity and equaled PLN 597 million.

The amount of liabilities of the Bank and its subsidiaries subject to court proceedings increased vs. the end of the fourth quarter 2006 as a result of instituting some court proceedings with a high value of the subject of litigation, against the Bank in 2005 and in the first quarter 2006. A majority of court proceedings before business and civil courts last for a very long time. The report includes some proceedings which started a few years ago. Only few court proceedings result in a final and legally valid court decision within a period shorter than two years (and many of them lasts for a period of four and more years). Appropriate provisions are created in case of court proceedings related to a risk of inflows of resources due to fulfilling a liability by the Group.

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

Parties to Proceedings	Litigation Value (in thousands of PLN)	Proceedings Commencement Date	Description of Case
Plaintiff: shareholder of company – the client of the Bank Defendant: Bank Handlowy w Warszawie S.A.	276,508 with interest from the date of the date of suit	8 April 2003	The plaintiff submitted a suit as a majority shareholder of the company for which the Bank organized an issue of bonds. The claim is that the Bank violated the agreement from 20 June 2005 is the issue of bonds. On 15 February the court of first instance disallowed the complaint entirely. The plaintiff lodged an appeal. Case pending. The term will be appointed. As at 24 April 2006 the court postponed the proceeding till 2 June 2006 due to lack of prove that the plaintiff was properly informed about the appeal proceedings date.
Plaintiff: Borrower of the Bank Defendant: Bank Handlowy w Warszawie S.A.	149,202	5 October 2005	The plaintiff takes exception that the Bank abuses the law by notice of the termination of the contract that caused the paralysis of the business activity of the plaintiff. The damage was an effect and resulted in significant loss of profits. Case pending.
Plaintiff: Borrower of the Bank Defendant: Bank Handlowy w Warszawie S.A.	42,306 with interest from 1 March 2002	23 May 2003	The suit concerns the irregularities of the Bank's activity during the restructuring of its client's debt – the plaintiff who bears a loss. On 3 February the court suspend the proceedings owing to proceedings of bankruptcy.
Plaintiff: Borrower of the Bank Defendant: Bank Handlowy w Warszawie S.A.	24,661	6 February 2006	The claimant request the payment of PLN 233,000 plus statutory interest for a period from 3 November 1999 to the payment date and the amount of PLN 24,428,000 plus statutory interest from the date of filing a statement of claim (28 October 2005) to the payment date. The first amount refers to the

claim for contractual damages and equals the difference between the amount of debts deducted by the claimant, arising from a letter of credit confirmed by the Bank and the loan granted to the claimant. The claim for PLN 24,428,000 is based on the Bank's liability in tort. Until now, the claimant did not present sufficient evidence, confirming that his claims are reasonable. The response to the statement of claim was filed on 20 February 2006. The court has not set the date of the first trial yet.

16. Information about significant transactions with related entities

In the first quarter of 2006, the Bank and its subsidiaries did not enter into any transactions with related entities, which were on non-market terms. Transactions with related entities result from the ongoing operating activities of the Bank and its subsidiaries.

17. Information about guarantee agreements

At the end of the first quarter of 2006, 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.

18. Other material information

Personal changes in the Bank

On 5 December 2005 the Supervisory Board of Bank Handlowy w Warszawie SA appointed Mr. Witold Zieliński to the position of Vice-president of the Management Board of Bank Handlowy w Warszawie SA. with effect from 1 January 2006.

On 22 February Mr. Reza Ghaffari resigned from the position of Vice-president of the Management Board of Bank Handlowy w Warszawie SA and his mandate as member of the Management Board expired.

On 28 March 2006 Mr. Edward Wess was appointed by the Supervisory Board of the Bank as a Vice-president of the Bank's Management Board.

On 23 January 2006 Mr. Edward Kuczera tendered his resignation from the position of Member of the Supervisory Board to the Chairman of the Supervisory Board of Bank Handlowy w Warszawie SA and ceased to be a member of the Supervisory Board of the Bank from 31 January 2005.

On 27 February 2006 Mr. Krzysztof Opolski was appointed by the Extraordinary Shareholders' Meeting for a position of a Member of the Supervisory Board of the Bank.

Other information

The Extraordinary General Meeting of the Bank was held on 27 February 2006, which *inter alia* enacted the resolution on amending the Bank's Statutes. On 24 March 2006, these amendments to the Bank's Statutes were registered by the District Court for the capital city of Warsaw, 12th Business Department, after the Bank obtained consent of the Commission for Banking Supervision.

On 28 March 2006, the Bank's Supervisory Board selected a statutory auditor – KPMG Audyt Sp. z o.o. with its registered office in Warsaw, ul. Chłodna 51, registered on the list of entities entitled to audit financial statements under number 458, which will be responsible for the audit and review of the Bank's financial statements for 2006. KPMG Audyt Sp. z o.o. was selected in accordance with valid regulations and professional standards. In the past, the Bank used services of KPMG Audyt Sp. z o.o. in respect to audits of annual financial statements, reviews of semi-annual financial statements and similar services. The contract with KPMG Audyt Sp. z o.o. relates to the audit and review of financial statements for 2006.

19. Factors and events with a potential impact on future financial performance

Key factors that may have an impact on the future financial performance of the Group:

- The accelerated growth in the economy in 2006 will be based on the growth of consumption and investments to a greater extent. With historically low interest rates this will provide for further increase in the demand for loans, both in the household and corporate sector.
- Over the coming quarters the distinct growth tendency will be continued in foreign trade. Thanks to the expected appreciation of the zloty and growing domestic demand, the imports dynamics will continue to be high. Although changes on the currency market will contribute to lower profitability of exports, Polish companies should be able to retain their strong position in foreign markets, owing to increasing productivity and continued restructuring process.
- The uncertainty regarding the political situation in Poland and the fiscal policy of the government may contribute to a temporary increase in fluctuations in the currency market, affecting the financial situation of the Bank's customers.
- Despite accelerated growth in the economy inflation will be considerably below the inflation target of the Monetary Policy Council (2.5% year on year). This will allow the monetary authorities to retain the reference rate of the central bank at the record low level of 4.00%. As in 2005 low interest rates will constitute one of the factors limiting individual customers' interest in depositing funds at the Bank and increasing the popularity of alternative saving methods.
- Rapid growth of oil prices may appear to constitute a threat to the gradual economic recovery. Fuel shock could contribute to deteriorating domestic demand and growing inflation, and as a result, the financial situation of Bank's customers would deteriorate.

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

<i>In thousands of PLN</i>	Year to date period from 01/01/06 to 31/03/06	Year to date period from 01/01/05 to 31/03/05
Interest and similar income	373,767	429,722
Interest expense and similar charges	(136,507)	(183,969)
Net interest income	237,260	245,753
Fee and commission income	148,585	132,620
Fee and commission expense	(17,906)	(17,790)
Net fee and commission income	130,679	114,830
Dividend income	-	583
Net income on financial instruments valued at fair value through profit and loss account	9,778	18,218
Net gain on investment (deposit) securities	32,731	34,238
Net profit on foreign exchange	99,279	95,032
Other operating income	26,764	23,100
Other operating expenses	(10,573)	(13,868)
Net other operating income	16,191	9,232
General administrative expenses	(329,810)	(330,345)
Depreciation expense	(33,098)	(34,443)
Profit / (loss) on sale of tangible fixed assets	114,093	(305)
Net impairment losses	3,493	(6,025)
Profit before tax	280,596	146,768
Income tax expense	(63,661)	(27,784)
Net profit	216,935	118,984
Weighted average number of ordinary shares	130,659,600	130,659,600
Net profit per ordinary share (in PLN)	1.66	0.91
Diluted net profit per ordinary share (in PLN)	1.66	0.91

Balance sheet of the Bank – parent company

<i>In thousands of PLN</i>	31/03/2006	31/12/2005
ASSETS		
Cash and balances with central bank	2,376,371	922,649
Financial assets held for trading	4,959,032	5,878,624
Debt securities available-for-sale	5,985,764	7,171,157
Equity investments	284,862	284,304
Loans and advances	16,439,073	15,839,648

<i>to financial sector</i>	7,359,916	6,898,665
<i>to non-financial sector</i>	9,079,157	8,940,983
Property and equipment	674,529	687,894
<i>land, buildings and equipment</i>	633,581	646,946
<i>investment property</i>	40,948	40,948
Intangible assets	1,308,001	1,313,418
Income tax liabilities	280,884	300,162
Other assets	221,914	199,221
Non-current assets held-for-sale	12,740	72,348
Total assets	32,543,170	32,669,425
LIABILITIES		
Financial liabilities held for trading	3,211,101	3,420,219
Financial liabilities valued at amortized cost	23,143,129	23,223,955
<i>deposits from</i>	22,686,490	22,768,006
<i>financial sector</i>	5,838,770	5,808,791
<i>non-financial sector</i>	16,847,720	16,959,215
<i>other liabilities</i>	456,639	455,949
Provisions	67,400	57,245
Income tax liabilities	11,764	162,788
Other liabilities	755,013	629,354
Liabilities held-for-sale	-	4,370
Total liabilities	27,188,407	27,497,931
EQUITY		
Issued capital	522,638	522,638
Share premium	2,944,585	2,944,585
Revaluation reserve	(98,220)	(64,554)
Other reserves	1,101,418	1,101,418
Retained earnings	884,342	667,407
Total equity	5,354,763	5,171,494
Total liabilities and equity	32,543,170	32,669,425

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 2005	522,638	3,044,585	(9,371)	2,116,063	468,069	6,141,984
Effects of transition to IFRS*	-	-	2,479	-	59,443	61,922
Balance as at 1 January 2005- after restatement	522,638	3,044,585	(6,892)	2,116,063	527,512	6,203,906
Valuation of financial assets available-for-sale	-	-	53,982	-	-	53,982
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(34,238)	-	-	(34,238)
Deferred income tax on valuation of financial assets available-for-sale	-	-	(3,752)	-	-	(3,752)

Net profit	-	-	-	-	118,984	118,984
Closing balance as at 31 March 2005	522,638	3,044,585	9,100	2,116,063	646,496	6,338,882

* in respect of IAS 32 and IAS 39

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 2006	522,638	2,944,585	(64,554)	1,101,418	667,407	5,171,494
Valuation of financial assets available-for-sale	-	-	(8,833)	-	-	(8,833)
Transfer of valuation of sold financial assets available-for-sale to profit and loss account	-	-	(32,731)	-	-	(32,731)
Deferred income tax on valuation of financial assets available-for-sale	-	-	7,898	-	-	7,898
Net profit	-	-	-	-	216,935	216,935
Closing balance as at 31 March 2006	522,638	2,944,585	(98,220)	1,101,418	884,342	5,354,763

Summary statement of cash flows of the Bank – parent company

<i>In thousands of PLN</i>	Year to date (current year) Period from 01/01/06 to 31/03/06	Year to date (previous year) Period from 01/01/05 to 31/03/05
Cash at the beginning of reporting period	1,005,263	972,013
Cash flows from operating activities	1,377,064	941,199
Cash flows from investing activities	160,257	(43,906)
Cash flows from financing activities	(17,855)	(18,163)
Cash at the end of reporting period	2,524,728	1,851,143
Increase / Decrease in net cash	1,519,466	879,130

Notes to the Abbreviated Financial Statements of Bank Handlowy w Warszawie S.A (“the Bank”) for the first quarter of 2006

The abbreviated financial statements of the Bank for the first quarter of 2006 have been prepared in accordance with accounting policies adopted and summarised in the annual financial statements of the Bank as of 31 December 2005.

The notes to these interim consolidated financial statements for the first quarter of 2006 contain all material information and explanatory data also relevant to the Bank’s abbreviated financial statements. Below is presented in supplement a summary of the Bank’s financial results for the first quarter of 2006.

The Bank's financial results

For the first quarter 2006, the Bank reported the profit before tax of PLN 281 million, which represents an increase of PLN 134 million (i.e. 91.2%) compared to the first quarter of the previous year.

The net profit for the first quarter 2006 equaled PLN 217 million, which constitutes an increase by PLN 98 million (i.e. 82.3%) vs. the same period in the previous year.

An increase in net income on sale of non-current assets by PLN 114 million, an increase in net interest and commission income by PLN 7 million (2%), an increase in other operational revenues and costs net by PLN 7 million (75.4%), a total drop in operational costs as well as general and administrative costs and depreciation by PLN 2 million (0.5%), a drop in net income on financial instruments at fair value through profit and loss, net income on investment securities and net income on exchange positions by PLN 6 million in total (3.9%), as well as decrease of net impairment provisions on financial asset by PLN 10 million had a significant impact on the Bank's net profit for the first quarter 2005.

The consolidated quarterly report for the first quarter of 2006 will be made available on the website of Bank Handlowy w Warszawie SA at www.citibankhandlowy.pl

Signature of the Financial Reporting and Control
Department Deputy Director
Date and signature

Signature of the Management Board Member
Chief Financial Officer
Date and signature

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