

**Letter from the President of the Management Board
to the Annual Report of Bank Handlowy w Warszawie S.A.**

Ladies and Gentlemen,

I have a great honor to place in your hands the Annual Report of Bank Handlowy w Warszawie S.A. for 2010. It was an extraordinary year for us as it marked the 140th anniversary of Bank Handlowy w Warszawie S.A., the oldest bank in Poland. It was also the first year of implementing our new strategy. Our strong financial results reveal that the strategy is working effectively.

Throughout 2010, Poland experienced accelerated economic growth. The recovery was driven primarily by domestic demand, which some see as a signal of sustainable growing trend in Poland's economy. At the end of last year, also the investment market showed some signs of recovery. Poland reported portfolio investment inflows that were greater than those in other countries from the region. Consequently, our zloty slightly gained in importance against euro with a simultaneous drop in domestic bond profits. Positive mood in the market of shares continued throughout 2010, which was reflected by increases in all major WSE indices. More important, Poland's market remained resistant as debt turmoil continued to rock the Eurozone peripheral nations.

In 2010, Bank Handlowy w Warszawie S.A. had a very good year, posting a net profit of PLN 748 mln, which means an increase of 42% against 2009. The Bank reported also a rise in net margin to 3.9%, one of record high figures in the industry. The price of Citi Handlowy shares on the Warsaw Stock Exchange hit its high level, from PLN 71.5 at the beginning of 2010 to PLN 93.5 recorded at the year end. This was a record high return on investments among all WSE listed banks and one of the best ratios with respect to large WSE listed companies.

One of our highest strategy priorities for 2010-2012 has been to enhance the effectiveness and efficiency of our operations. Therefore, I am glad that thanks to our improved key performance indicators, we reported the ROC ratio of 12.8% as at the end of 2010, which is 3.9% up YOY. Also the ROA ratio saw some improvement, jumping to 1.9%. This helped it to put among the strongest ROA performance of the whole sector. We continued to pursue our cost discipline, maintaining the cost/income ratio at 54%. In 2010, Citi Handlowy put in place a new business model. Based on Customer behaviour patterns and scope of cooperation with the Bank, we built new customer segments. The new approach enhanced satisfaction of our Customers and further improved our cost effectiveness policy.

Delivering high quality of service was our driving goal in 2010. To this end, in addition to changing our business model, we implemented several hundred initiatives. Subsequently, at the end of 2010 almost 74 % of Citi Handlowy's Customers noticed improvement in the quality of service offered by Citi Handlowy. In our ICG business, a number of upgrades were introduced, e.g. extending time of accepting transactions for completion, introducing additional e-banking advisory services or appointing dedicated individuals or teams to provide special services to our strategic Customers. Our GCG Customers were offered an enhanced Citibank Online service, they could enjoy the benefits of our a la carte program or higher transaction limits available at Citigold branches. Having our Gold

Customers in mind, we activated a priority calls and engaged the most experienced CitiPhone advisors. Last year the Bank was intensively working on the development of its sales network. In addition to its existing 155 branches, Citi Handlowy established a few hundred new points of sale, amongst other at Polkomtel outlets, at airports, shopping centers, transport hubs including Warsaw subway, and press stores selling public transport tickets. At present, there are over 1000 Citi Handlowy-branded ATMs, where Customers can withdraw cash and check their account balance. Additionally, all Citi Handlowy-owned ATMs have been replaced with so called dual teller machines where Customers can not only make withdrawals but also pay money into their bank account with the cash being recorded on the customer's account online. Through it all, Citi Handlowy service points went up from 300 to almost 1400. Also, in 2010 our spokesperson was very active. His main role is to respond to the queries of our Customers and collect opinions on our products and services.

Last year, we incorporated a few innovations into our offerings, which improved satisfaction of our Customers and frequently brought about an increased revenue gains. In 2010, the Bank launched CitiFX Pulse, the next generation online platform which provides Customers with the ability to run exchange transactions online, applying market prices. Last year, around 65% of those performing FX transactions actively used CitiFX Pulse, generating a turnover of over PLN 21 bn. This trend drove a 50% increase in online FX transaction result YOY. As the first bank in Poland, Citi Handlowy developed and implemented a technology that combines a payment card with a city travelcard, i.e. the Integrated Citibank Payment and Travel Card. It is a traditional card where Citi Handlowy's Customers may code non-transferable long-term tickets and use the card to pay for shopping or other services. Particularly noteworthy example of mobile banking innovation is Citi Mobile which enables a consumer to access their current and credit card account from their mobiles. Now, Citi Handlowy's Customers can perform transfers, open deposits, view their account balance sheets or current exchange rates. The innovations developed by Citi Handlowy team covered both, the products and processes. Among our unquestionable successes we should mention that being the first in Polish market, we developed a high-tech solution thanks to which our new Customers may obtain a contactless debit card or Citibank Credit Card just in 2 minutes, which is a market record time. The above are only a few examples of the innovations that were put into operation by our team. With a view to meet or even anticipate the expectations of our Customers, we launched the Research and Development Center of Citi Handlowy Banking Services in Łódź. The new team is responsible for developing innovative products and services tailored to the needs of our Customers based on the analysis of their preferences and demands.

In 2010, the Bank received a number of prestigious awards in recognition of its achievements. Our transaction services gained exceptional market popularity. Particularly noteworthy in 2010 was receiving three recognitions in the 15th edition of the Europroduct contest. The Bank was awarded for Citi Factoring, Self-Government Factoring and Discounted Letter of Credit. Further, Citi Handlowy's trust services achieved "Top Rated" status in Global Custodian's 2010 survey in "Leading Clients" category. Thanks to the votes of its Customers, the Bank came out at the top of the ranking in the category of corporate product sales. The Bank's market share was 35.8%, twice as good as the closest competitor. The title is awarded by a prestigious financial magazine – Euromoney. Amongst our huge successes we should mention the Integrated Citibank Payment and Travel Card that was awarded the title of the Most Innovative Polish Card of 2010 during the conference of the Central European Electronic Card. Beyond what has been stated, Citi Handlowy is on the list of top financial institutions which implemented quality standards. In addition to already held twofold international certification of note: the ISO 27001 security certificate and the BS 25999 business continuity certificate, Citi Handlowy received another one – IT Service Management ISO 20000.

With 140 years of experience, Bank Handlowy w Warszawie S.A. combines next-generation banking with experience and the best traditions of Poland's entrepreneurship as well as the social involvement heritage of its founders. Through Citi Handlowy's Kronenberg Foundation we run several initiatives that foster financial empowerment, entrepreneurship and economic knowledge as well as promote the protection of cultural heritage. We also support the implementation of local and countrywide initiatives held by other organizations across Poland. We have established and coordinated Poland's

largest employee volunteering program. During 5 years of its existence, Citi Handlowy volunteers engaged their skills and knowledge to help those in need over 9000 times, devoting 54 800 hours of their spare time and completing 720 projects. These are the figures that translate directly into social changes. Last year our efforts in this field were recognized. Bogdan Zdrojewski, the Minister of Culture and National Heritage, distinguished the Kronenberg Foundation with a high recognition of "Merit to Polish culture". Citi Handlowy received the title of the Benefactor of the Year for running complex initiatives that foster economic empowerment among Polish society. The Citi Handlowy Employee Volunteering Program ranked first in the Polish edition of the European Employee Volunteering Awards program. Additionally, Citi Handlowy was again listed in the Respect Index, a prestigious WSE index to measure the value of portfolios of the most socially responsible companies.

2010 was a year when the Bank redefined its business activity model to keep it in line with the new strategy adopted for 2010-2012. Our priority this year will be to continue developing our business activity based on the new business model. Extending the cooperation with our existing Customers will still remain our ultimate goal. We will also sharpen our focus on enlarging our credit and deposit portfolios in both consumer and corporate segments. Thanks to the highest quality service and innovative culture we will maintain a position of market leader. We will also remain committed to generating sustainable value for our shareholders by providing a relevant return on capital as well as maintaining liquidity and capital adequacy on a level that will guarantee safety for our customers and create public trust towards our Group.

While presenting to you this report, I would like to thank you - our Customers and Shareholders - for the continued trust you place in us. On behalf of all Management Board members, I also wish to thank the Supervisory Board members for their guidance on our Group's activities. I would also like to thank all Employees for their tireless work, commitment and contribution to strengthening our market position.

Sincerely,

Slawomir S. Sikora

President of the Management Board, Bank Handlowy w Warszawie S.A.