

Warsaw, March 25, 2004

Letter of the President of the Management Board of Bank Handlowy w Warszawie SA

Ladies and Gentlemen,

In June 2003, I succeeded to the position of President of the Management Board in Bank Handlowy w Warszawie SA – the oldest Polish bank and a member of the largest financial group in the world – Citigroup.

I am honoured to have an opportunity to present to you for the first time the report from activities of Bank Handlowy w Warszawie SA for 2003.

That year closed a very significant stage for the Bank, which was the merger with Citibank (Poland) S.A. and integration with the Citigroup structures. The successful merger of both banks allowed us to expand our activities and created new opportunities for development. Citigroup membership entailing access to its experience and technologies makes it possible for us to compete more effectively in all market segments important for us and to acquire new client groups. This is also the most important challenge for the Management Board of the Bank in the next few years.

Last year saw gradual improvement of the economic situation in Poland. Growth rate of gross domestic product stimulated by dynamically growing exports increased to 3.7% while strong increase in industrial production was translated into the increased revenues of enterprises. The last quarter of the year saw positive dynamics of capital expenditure for the first time in over two years. Better economic results in 2003 have not been fully reflected in the financial results of the banking sector as yet but they allow us to be optimistic about our future.

Reacting to positive economic trends, we decided to work out a new medium-term development plan for the Bank. This plan identifies the directions and objectives of development of our institutions for the years 2004-2006, among which the efforts to increase the profitability and efficiency of operation will be of primary importance.

The first step towards its implementation was the deployment of a new Customer Coverage Model in the Corporate and Investment Bank.

Another stage commenced last year was the reorganisation of our branch network. That project reflects the Bank's adaptation to the changing model of banking services provision, where electronic, Internet, telephone, and card banking are now playing a role of increasing importance. On the consumer side, the main element of reorganisation is the enlargement of selected branches from the point of view of providing services for a larger number of customers, and network adaptation considering criterion of profitability of a branch. Changes in corporate branches include mainly the reduction of excess space, and also consolidation of services for consumer and corporate customers within the same branch. Moreover, in the past year the Bank continued the implementation of projects related to the centralisation of settlement centres, including in particular the development of activity of the Regional Processing Centre in Olsztyn, which took over the handling of settlements of Citigroup businesses operating in the Central and Eastern Europe.

Irrespective of these challenges and changes, we were able to consolidate our market position. Thanks to the implementation of a range of innovative products in transactional and financial corporate services, we

set new standards in the local market and reinforced our image as one of the most innovative financial institutions in Poland.

In the Corporate and Investment Sector, we have continued the growth of our customer base, especially in the SME Division. The Bank won tenders for nearly every new offer of transactional service for large companies.

We have strengthened our position as unquestionable leader in the market of syndicated loans, participating in the arrangement of nine loan syndications with our total share above PLN 1.0 billion. Owing to the launch of nine new issuance programmes, our leading position in the market of short-term debt securities and corporate bond origination market was reinforced as well. As for Treasury Department products, we noted considerable growth in foreign exchange operations with our customers, primarily concerning structured derivatives and currency options, which consolidated the top ranking of our institution in the market of treasury operations.

Realizing the importance and opportunities emerging for banks thanks to Poland's accession to the European Union we initiated very thorough preparations for that event. To coordinate work on product solutions as well as other projects including adaptation to new legal requirements related to accession we created the position of a Director for European Union in the Bank.

We are particularly satisfied with the results of the Consumer Banking Sector, which steadfastly extends the product range offered adapting it to the needs of various client groups. In the more and more competitive market of credit cards, we managed to obtain an increase in the number of cards issued, retaining the market leader position with the portfolio of almost half a million cards. Our intensified marketing efforts contributed to the rapid development of the lending business – the number of loans granted increased by 64% on the annual scale. Moreover, the CitiFinancial Division generated very good sales results, which proved that the possibility to transfer a globally established business strategy to Poland is an extremely important asset for our institution. It is worth stressing that we were the first Citigroup business in Europe to introduce the CitiGold Wealth Management offer, which we consider very promising for development of private banking. The increasing utilisation of alternative banking service provision channels, such as the Internet or Citiphone, contributed to further improvement in cost effectiveness of the consumer business. In 2003, the number of registered users of Internet banking exceeded 150,000, and the share of this channel in the initiation of consumer banking transactions reached 60%.

The year 2003 was also successful for companies operating within the framework of the Bank Capital Group. Our brokerage house, Dom Maklerski Banku Handlowego, moved to the position of the market leader, Towarzystwo Funduszy Inwestycyjnych Banku Handlowego S.A. and Handlowy Zarządzanie Aktywami S.A. noted dynamic growth of assets entrusted to them for management, while Handlowy-Leasing S.A. and Citileasing Sp z o.o. significantly increased the scale of their operations. Furthermore, the results of cooperation between the Bank and CitiInsurance Towarzystwo Funduszy Inwestycyjnych S.A. conducted in the bancassurance form proved very promising.

We are proud that our efforts were noticed and appreciated by prestigious financial institutions and publishing houses. Citibank Handlowy w Warszawie SA was considered the Best Polish Bank 2003 awarded by The Banker magazine, acquired the Best Bank in Poland 2003 title awarded by Global Finance, and the Best Bond House title awarded by Euromoney, a financial monthly. Our ambition is to be also worthy of such honours in the coming year.

I would like to stress that none of these successes would be possible without the creativity, maturity, and commitment of our Employees, whom I would like to thank on this occasion.

In the name of the Bank Management Board, I would like to thank our Shareholders for their trust in our institution. I would also like to express my heartfelt gratitude to the Bank Supervisory Board for very good cooperation.

The Bank is now facing new challenges. Currently, our most important priorities include business development, strengthening of existing relations, acquisition of new clients, multiplication of products

offered and further improvement of financial results. We would like to use the new structures and solutions as a basis for the implementation of our strategy.

In spite of the fact that economic revival will help us, the determinant factors will be the quality and effectiveness of our work. I am convinced that our restructured organisation, experienced and committed employees, and expert combination of the assets of a strong local organisation with the support granted by the global institution will enable us to accomplish what we intend to do.

Slawomir Sikora

President of the Management Board