

Warsaw, March 27, 2006

FROM THE PRESIDENT OF THE BANK'S MANAGEMENT BOARD

Ladies and Gentlemen,

The year 2005 was a very fruitful time for Bank Handlowy w Warszawie SA, which is best proven by excellent financial results, an improved Customer and Employee Satisfaction level and the underpinning of Our Shared Responsibilities – the foundation of our corporate culture.

The financial result increased for the fourth consecutive year after the merger. As of the end of 2005, the Bank's net income amounted to PLN 589.2 million and was by PLN 140.7 million (or 31.4%) higher as compared with the previous year. The main drivers of profit growth were, first of all, an improved result on operations in securities, by PLN 100.8 million (275.4%), and financial instruments, by 77.2 million (176.4%). In 2005, we continued various projects to upgrade our profitability by cost optimization.

The economic environment of the Bank was stable and exports were the main factor of growth in 2005, as in previous years. However, both corporate capital expenditure and consumer spending trends deteriorated.

Despite less favorable macroeconomic conditions, as compared with the previous year, the key segments recorded a significant improvement of financial results. The last year was very successful for the entire **Corporate & Investment Bank** sector, which was able to increase its revenues and reduce costs at the same time. **Commercial Bank** started intensive efforts to attract Customers from the public sector. Its achievements were confirmed by numerous innovative transactions, including an investment loan refinanced by KfW and European Development Bank, over 40,000 pre-paid cards for local governments and the first issue of pre-paid cards for students in Poland. In 2005, we launched the **"Europe of Companies"** package, under which Customers that search for the European Union's assistance may use a friendly

credit program. **Corporate Bank** initiated and coordinated several large & pioneering transactions in Poland's market. It served an issue of Treasury bonds (EUR 5 billion), carried out the first issue of revenue bonds in Central Europe for the water company of the City of Bydgoszcz and arranged a syndicated loan for PGNiG (largest gas company).

In 2005, **Treasury's** result reached its all-time high. The Bank strengthened its position in the market of Treasury products, derivatives and structured finance. Sales of f/x options and derivatives contributed most to its success.

The Bank also built up its position in **Transaction services**, where it expanded the product range by such innovative products as a pre-paid card for public institutions, trade finance products and an escrow account for institutional Customers. By signing an agreement with the Białystok School of Public Administration for the issue of scholarship cards, Citibank Handlowy implemented the first pre-paid card for students in Poland. In 2005, the Bank was also an active player and the leader in the direct debit market.

For several years, customer satisfaction surveys that cover corporate customers have shown that more than 90% of the respondents are satisfied with the quality of cooperation with our Bank. The competences of our customer service personnel and the quality of services offered by our branches were assessed equally highly.

In 2005, the Bank was very active in **consumer banking** and maintained its leading position in the **credit cards** market. As of December 31, 2005, the number of credit cards issued by our Bank amounted to 580,000 (i.e. increased by 12% during the last year). We launched significant improvements in our credit card offering to convince our Customers to more active and more effective use of opportunities created by Citibank Credit Cards. The Bank's proposal was extended by the most prestigious product, Citibank Platinum Credit Card, and interest rates for all card types have been changed.

Consumer Bank achieved excellent results of sales of **credit products** and doubled the credit acquisition volume as compared with 2004.

We also extended our **investment and insurance products**, by introducing two new Regular Saving Plans linked with investment funds and new insurance products for borrowers and credit card holders. The Bank maintained its leading position in the segment of affluent Customers. In March 2005, as one of the ground-breaking financial institutions, we brought foreign mutual funds into Poland, including an absolute premiere in Poland's market – Fund of Funds, which is operated by Citigroup Asset Management. In addition, we started our Investment Center, a dedicated unit for the most demanding Customers.

CitiFinancial continued dynamic growth. In 2005, it doubled its share in the Bank's revenues and added 22 new outlets to its distribution network. By the end of 2005, CitiFinancial had 61 branches in total. In the end of the last year, it also extended its product range by another innovation in the market – mortgage-backed loans.

In order to enable its Customers more convenient access to our products, the Bank continued the expansion and restructuring of its branch network. In 2005, 21 new outlets were opened and the Bank closed the year with a total of 188 branches.

One of the Bank's strategic goals is to become the first choice employer in the financial sector. To achieve this, the Bank tries to attract the most talented employees and offer them excellent career development opportunities. I was very satisfied with the increase of the Employee Satisfaction level at our Bank, which was reflected by the outcome of the "Voice of the Employee" survey. In the last year, we prepared a new system that will be used to plan individual career paths for each of our staff members and to manage their performance. The system will be implemented in 2006.

The previous year was very important for us also for a very special reason. The year 2005 saw the 135th anniversary of Bank Handlowy w Warszawie SA, the oldest commercial bank in Poland that has operated without any interruption since its establishment. We celebrated our jubilee together with Charles Prince, CEO of Citigroup. He emphasized: "Citigroup is very

proud of our long history and valuable heritage in Poland, and the contribution we may make to support the development of Poland's market."

I am pleased that our efforts have been appreciated by prestigious institutions and media. Our Bank was honored with the first prize in the European Clearing Survey, carried out by the Global Investor, as the best clearing bank for debt securities and stocks. Rzeczpospolita (Polish nationwide highly-regarded daily) named the Citibank Credit Card the best card in Poland and the CitiGold personal account – the best personal account for affluent and demanding customers. Our SpeedCollect Plus product won the prestigious award of The Banking Technology Magazine as the *Best business/corporate banking achievement for 2005*. Our Benefit and Scholarship Pre-Paid Cards were second best in the category of the most innovative products in 2005 in the European corporate sector, according to the European Payments Consulting Association and the European Card Review. The Bank was also honored with the title of the Patron of the Year 2005 by the National Philharmonic in Warsaw.

Through the Leopold Kronenberg Banking Foundation we successfully realized our social responsibility mission. As part of the International Microcredit Year celebration, the Kronenberg Foundation, in cooperation with the United Nations Development Program (UNDP) honored the best Polish micro-entrepreneurs. "My Finances" – a nationwide economic education program carried out together with the National Bank of Poland and the Junior Achievement Foundation, will cover 216,000 senior high students throughout Poland in 2 years. The Bank's Employee Volunteer Program, which is supported by hundreds of our people, was awarded with the main prize in the "Colors of Volunteerism" contest.

Our top priorities for 2006 are still growth in selected segments of the corporate and consumer banking markets, cost discipline improvements, continued reinforcement of the first choice employer position (by ensuring a high employee satisfaction level) and implementation of Our Shared Responsibilities in the Bank's structure (responsibility to our Customers, to each other and to our franchise). We will consistently strive to become the most respected financial institution.

While inviting you to read our Report, I would like to thank sincerely our employees for their commitment and professionalism, the Supervisory Board for supporting the Management Board, and Customers and Shareholders for their trust in our institution.

Sławomir S. Sikora

President of the Management Board