

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

Ladies and Gentlemen,

I have the honor to place in your hands the Annual Report of Citi Handlowy for the year 2008. It was indisputably a year full of challenges, which, despite all the difficulties, we can describe as successful thanks to our consistent and well-executed strategy. We strengthened our position in both corporate and retail banking segments by offering innovative solutions and taking a responsible approach to business.

Last year was a time of turmoil in global financial markets, which led to an economic slowdown both in the U.S. and Europe. In Poland, too, we observed a decline in GDP growth. The changes were accompanied by unprecedented volatility in the exchange rate of the Polish zloty. The year 2008 was also extremely difficult for the Warsaw Stock Exchange. The Polish banking sector remained stable, posting record earnings – for the first three quarters of the year. In the fourth quarter the sector showed a significant decline in profits as a result of a noticeable slowdown in the economy.

The position of Citi Handlowy is strong and the Bank's capital and liquidity ratios are stable. In 2008 the Bank's operating profit amounted to PLN 2.39 billion, remaining close to the 2007 level. Revenues were accompanied by continued cost discipline (a 2% decline in expenses) and an improvement in the cost to income ratio from 61.6% last year to 60.8% in 2008. The net income of Citi Handlowy for 2008 amounted to PLN 645.7 million. As at the end of the year the Bank's solvency ratio was at a very safe level of 11.7%, one of the highest among largest banks.

Thanks to its groundbreaking solutions, Citi Handlowy strengthened its leading position in many market segments, setting new directions for the development of innovative products. In the corporate banking segment we implemented an integrated service platform and a standardized product offer for small and medium-sized companies. We also further developed our innovative transaction banking products, such as micropayments, i.e. a special cash management offer for courts and public prosecutors. Thanks to closer cooperation with the public sector, the Bank reported a 252% increase in term deposits of budgetary units.

The number of credit cards in Citi Handlowy's portfolio exceeded 1 million as at the end of the year. In 2008 the Bank sold more than 296 thousand new cards and it was the best result in the Bank's history in terms of the number of newly acquired credit cards, up by 25% as compared to the result seen in 2007. The year 2008 was an exceptionally successful year for partnership programs run by Citi Handlowy.

We also dynamically developed our pre-paid cards offer. Last year we issued more than 200 thousand pre-paid cards, which positioned our Bank as the unquestionable leader in this segment, with a 70% market share. Last year total pre-paid card turnover grew by more than 42% as compared to 2007. Our OnLine Trading platform, which allows customers to execute FX transactions online, also showed a significant increase. The volume of transactions performed through the platform more than doubled, and the number of its users grew by 37% as compared to 2007.

In the consumer banking sector we continued to expand our offer by adding innovative solutions that make our customers' lives easier. In 2008 the Bank launched, among others, a Mobile Branch and ATM Locator, allowing customers to quickly and easily locate the nearest branches and ATMs offering fee-free cash withdrawals from a personal account. The Bank also introduced a Cash Back service, allowing customers to conveniently withdraw cash when paying with their Maestro cards at points of sale, as well as an innovative "Send Cash" service, enabling customers to send cash by postal order to any recipient in Poland (postal money transfers can also be ordered via the Internet). Citi Handlowy was also the first bank in Poland to allow its customers to use their mobile phones to pay for goods and services directly from their bank accounts. The "Pay With Your Mobile" service was named the most innovative solution launched in 2008 by the Mobile Internet monthly.

For many years our Bank's efforts have been recognized with prestigious awards, and the year 2008 was not an exception. Thanks to the votes of satisfied customers the Bank received the title of High Reputation Brand in the Premium Brand ranking and the Polish Chamber of Commerce together with the Polish-American Consulting Foundation for Small Enterprises honored Citi Handlowy with the Entrepreneur-Friendly Bank Emblem. Citi Handlowy also won awards in last year's national EUROPRODUKT contest for its innovative solutions, such as co-branded credit cards, "Save Your Change" savings plan and mobile banking services. In 2008 the Bank was also recognized with the "SEPA Leader in Poland" award by the Polish Bank Association for its pioneering implementation of the transfer order system for payments in euros in the Polish market.

For me, of great significance is the fact that in our everyday work we do not forget about the ones who need our support. We run the largest in Poland employee volunteer program, sharing our knowledge, skills and experience with local communities in which we live and work. Through the Kronenberg Foundation of Citi Handlowy we implement financial education programs which attract hundreds of thousand young people each year. Such initiatives as "My Finances", "Week For Saving" and the ZrozumFinanse.pl internet portal are the most important educational projects in the field of economics and finance.

I am especially proud of our employees' active participation in the 2008 Citi Global Community Day – an initiative being a culmination of the employee volunteer program in Citigroup. Last year on that day our employees together with their family and friends helped 15,000 people in need, by implementing dozens of projects addressed to local communities.

In 2009 our goal is to maintain liquid, well-capitalized bank, supporting its customers, and with prudent risk-taking to obtain optimal financial results during the economic downturn. Citi Handlowy will continue its efforts aimed at acquiring new customers in both corporate and retail banking segments. We will continue to focus on cost discipline, which is of great importance for the Bank's future results.

While presenting this report to you, I would like to thank all our customers and shareholders for the trust they placed in us. I would also like to thank all employees for their commitment and contribution to strengthening the market position of our Bank. On behalf of the Management Board, I wish to thank the Supervisory Board, whose members have substantially contributed to our Bank's growth and prosperity.

Sławomir S. Sikora,
President of the Management Board of the Bank