

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

Dear Shareholders and Clients,

I have a great pleasure to present the annual report of Bank Handlowy w Warszawie S.A. for 2015.

In the year when the entire banking sector was facing multiple headwinds in the market, we remained faithful to our mission to serve our clients as their trusted partner. A partner who responsibly offers financial services, enables its clients to develop and supports growth in the entire economy. A partner who protects the savings of individual clients and helps them buy whatever they may need, from small necessities to homes. To improve the quality of their life. A partner who advises them how to save up for their future needs, the education of their children or their own retirement. And for business clients, it is a trusted advisor who supports their growth, optimizes their financial operations and, where needed, helps pay salaries or dispatch goods to other countries or implement an ambitious development plan - by providing financing solutions.

In 2015, the Bank Handlowy w Warszawie S.A. earned a net profit of PLN 620.2 million, in a difficult market environment affected by low interest rates or a reduction in the interchange fee rate. The financial performance of the Bank was also influenced by the significant growth of fees contributed to the Bank Guarantee Fund ("BGF") to rescue the savings of clients of collapsed financial institutions. In 2015, Citi Handlowy paid PLN 131 million to the BGF, i.e. 249% more than in 2014.

The solid profit generated in 2015 is good news and induces our optimism about the Bank's future and results in 2016. Our Bank's strengths include a strong position in the strategic areas, unique competences resulting from global expertise, and the agility to adapt our products and services to the constantly changing needs of our clients. The key performance and security indicators of the Bank are consistently maintained above the banking sector level. Our distinguishing mark is still a strong capital position, confirmed by our Tier 1 Capital Ratio of 16.8% (as compared to 14.2% for the banking sector as of the end of Q3 2015). The Cost/Income (C/I) Ratio at the level of 62% means that the Bank enjoys stable liquidity and is ready to proactively support development plans of its clients. The quality of assets remains very high, with the impaired loan ratio at 3.2% for the Bank versus 6.4% for the banking sector. Our Citi Handlowy continues to be an efficiency leader. Our ROE (9.5%) and ROA (1.3%) place us considerably above the banking sector average levels.

Since its debut on the Warsaw Stock Exchange, the Bank has been consistently making dividend payouts. In 2016 too, the Management Board of Citi Handlowy has recommended a cash dividend amounting to PLN 4.86 per share. As a result, after this proposal is approved by the General Meeting of Shareholders, our shareholders will enjoy one of the highest dividend

ratios in the banking segment of Poland's stock market. We were able to take such decision as we meet the stringent dividend payout requirements imposed by the Polish Financial Supervision Authority. Because of this approach, we are perceived as a stable and reliable financial institution by our clients, shareholders and employees.

In 2015, we bet on the growth of volumes and, as anticipated and declared, we achieved the announced growth levels. Our client-related assets increased substantially year on year: loans to institutional clients by 18% and loans to individual clients by 5%. We opened 4 new Smart branches, expanding the Smart network to 16 leading-edge outlets in 9 cities. This franchise's development is fuelled not only by the growing number of branches, but also by the increasing attractiveness of their proposal, which continues to attract more and more new clients. As compared to traditional branches, as at the end of 2015, the number of Smart clients who bought a credit card was 63% higher and the number of clients who chose a CitiPriority account was 62% higher, which confirms the success of the strategy based on the promotion of that type of outlets. The sale of unsecured credit by Smart branches rose as high as 161% year on year.

In 2015, the Bank invested in the development of so called *cloud* infrastructure for retail banking distribution. As the first bank in Poland, we started an application dedicated to sales of our products. It needs only a few minutes to process a credit card application - all online, including the execution of the agreement. The application is used by 70 mobile advisors, not assigned to any branch, who operate wherever our prospective clients can be found. This solution is a great success as, today, it processes as many as 69% of the applications for a credit card.

During 2015, the Bank also invested in development of new technologies which are to improve customer service quality and implemented a new version of the Citi Mobile banking application. It has won the acclaim of our clients. Since the launch of the new version, the number of clients logging in to our mobile banking service has increased by more than 50%. Citi Mobile offers Snapshot, a feature that is still unique in Poland's market. It enables the user to check the account or card balance and the last transactions without logging in. So far, this functionality has been activated by 50% of the active users of our mobile banking service.

We also implemented improvements in the Citigold Private Client product range, offered by our private banking segment. A vital advantage of the proposal is advisory services focused on international markets. Our clients now receive recommendations that cover shares listed on 20 stock markets. As a result, the number of clients rose by 12% year on year. Citigold Private Client is highly valued by both our clients and experts and won the top rating, 5 stars, in the private banking rating of the "Forbes."

In the corporate banking sector we maintained the leader's position in strategic areas. We were vigorously developing the Emerging Market Champions program, under which we support 57 Polish champions operating in global markets and more than 330 multinational corporations developing their businesses in Poland. It is worth noting that the Bank serves as many as 70% of the foreign investors from the "Forbes" Top 100 ranking of the largest companies that are present in Poland.

As usual, Citi Handlowy was an active participant of numerous key market transactions. Our high liquidity enabled as to grant PLN 1.5 billion in loans to Polish blue chip companies. Also,

the Bank played a key role in the non-Treasury debt securities market. For example, it arranged a PLN 6.3 billion issue of corporate bonds for Tauron, a leading group from the power industry.

In 2015, the Bank continued its strategy aimed at reinforcing its relationship banking operations. The total balances of the operating accounts maintained by Citi Handlowy rose by 21% year on year. The strategy focused on long-term client relationship building was also visible in the Supplier Finance Program, under which the client's assets increased by 25% year on year. Our clients appreciated cooperation with our Bank in the area of cash management, which was confirmed in Euromoney's survey, in which the Bank was named the winner in Poland's market for the second year in a row.

For years, we have been promoting Poland's market and actively contributing to management of the national debt issuance policy. For the fourth consecutive year, we were ranked Number 1 in the competition of the Ministry of Finance for the Treasury Securities Dealers. This confirms that we are a trusted and experienced partner of key public institutions.

We are a socially responsible corporation. Since 2009, we have been included incessantly in the prestigious RESPECT Index, published by the Warsaw Stock Exchange. It covers companies which have adopted responsible and sustainable growth models. Since 2014, Citi Handlowy has also been covered by the prestigious MSCI Global Sustainability Index – which gathers companies adhering to high standards in the areas of corporate governance, eco-friendliness and corporate social responsibility.

For more than ten years, we have been implementing various CSR programs, via the Kronenberg Foundation at Citi Handlowy. In partnership with the Junior Achievement Foundation and the National Bank of Poland we run the "My Finance" program, which is the largest European financial education program for young people in terms of participants. We also support women who want to run their own businesses. We promote the idea of entrepreneurship also in the micro-business environment, for example in the course of the "Citi Microentrepreneurship Award" which we have been running for 11 years. We are involved in activities to protect Poland's cultural heritage, for example in cooperation with the Minister of Culture and National Heritage and the Ministry of Foreign Affairs we carry out a program to recover national cultural assets lost during the Second World War. Our Employee Volunteering Program is one of the largest and best perceived initiatives of that kind in Poland. In 2015, our volunteers provided assistance to over 25,000 people, under more than 200 projects.

As I am handing over our annual report for 2015 to you, I would like to thank you for your trust. It is you – our Clients and Shareholders – whom we owe our successes in 2015. We would not have achieved them without the commitment and professionalism of all our employees. On behalf of the whole Management Board, I also want to express our appreciation to the Members of the Supervisory Board whose expert support and contribution boost the continuous development of our Bank and the successful implementation of our strategy.

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