

**Letter from the President of the Management Board
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 2012. It was a very successful year for us in terms of both business and financial achievements. We posted a record-high net profit, counting from the Bank's IPO at the Warsaw Stock Exchange. Last year, we adopted the strategy for the next 3 years to come, which, in its basic assumptions, is a continuation of the strategy carried out in the years 2010 to 2012.

Considering last year from a **macroeconomic perspective**, it should be pointed out that, even though 2012 featured a slowdown of economic growth, Poland maintained its position as one of the leaders of economic growth in Europe. The slowdown was the result of weakening in consumption and lower investment outlays. However, Polish companies managed relatively well on foreign markets, thanks to which net export was a significant driving force behind Poland's economic growth. Poland remained an attractive market for foreign investors, who last year invested EUR 12.7 billion in our bond market against EUR 9.3 billion in 2011.

In 2012, Citi Handlowy generated a record-high net profit, counting from the Bank's IPO at the Warsaw Stock Exchange, amounting to PLN 1,008.7 million, which corresponds to an increase by 39.8% against the year 2011. That is a great achievement as compared with the results of the entire industry, which recorded an increase of 4%.

In 2012, the Bank recorded **an improvement of all key efficiency ratios** – ROE and ROA rose to the level of 16.3% and 2.5% respectively, and the cost-to-income ratio decreased to the level of 52%. There was also an increase in interest margin, which remained one of the record high figures in the market. That was the third year in a row when the Bank recorded a significant improvement in the credit risk area. Both the risk costs and the Non-Performing Loan ratio declined. Last year, we maintained safe and stable capital and liquidity ratios. The loan to deposit ratio (71%) and the solvency ratio (17.7%) were one of the best in the entire industry. 2012 was the year of double-digit growth in the volume of loans. As assumed, we reported a significant growth in Corporate Bank lending (by 18% versus the previous year) and a significant growth in retail mortgage loan portfolio (by 59%). It is also worth stressing our achievements in the area of treasury activity. There was a growth in the total result in that area by 87% against the previous year, which means that it reached the level of PLN 652.6 million. At that point it is worth mentioning that the Warsaw Stock Exchange appreciated our operations and gave us two awards for our achievements in the Treasury BondSpot Poland market – for our active operation at fixing sessions and for the largest share in trade in the spot market.

Last year brought also notable benefits to investors. **Citi Handlowy, with its share prices, was placed among the leaders with the most significant growths at the WSE.** In 2012, the Bank was listed in the WIG20 index of most liquid companies at the Warsaw Stock Exchange. It was the fifth time that we maintained our position in the “RESPECT Index”, a WSE index which recognizes the most socially responsible companies listed on the Warsaw Stock Exchange. Citi Handlowy is one out of two banks which have been part of that ranking since its first edition. We may also boast a Top Employers certificate granted to us for our compliance with top standards with respect to HR management. Our commitment in that area is also evidenced by a high satisfaction level, expressed by our employees in an annual survey.

Pursuant to the strategy in place, also in 2012 **high quality service** was the key objective of our operations. Our efforts were very successful, which was evidenced by our results in customer satisfaction survey NPS (Net Promoter Score), which were better than the 2011 results. Last year, NPS for branch service quality stood at 44%, for Citigold customer service at 49%, and in the case of CitiService, which is a call center providing services to entrepreneurs, NPS reached the level of 69%. In 2012, thanks to the commitment of the Customer Advocate, we carried out over 70 initiatives aimed at improving service quality and our offer in cooperation with our customers. As a result, the Bank may now boast, among other things, high standard response to a complaint within merely 4 days, whereas the average in the banking industry is 30 days. High level of our service quality was also evidenced by the results of independent rankings. We took the second place in the "Quality per Bank" ("Jakość na Bank") ranking, drawn up by TNS OBOP, and the third place in the "Newsweek-Friendly Bank" ("Bank Przyjazny Newsweekowi") ranking.

In the past year, we also broadened the array of **innovative solutions offered to our clients**. We launched Citi Trade Portal, a new online platform for products aimed at financing trade in the corporate banking area. We also offered our clients a new version of CitiDirect EB online banking system as well as CitiDirect EB Mobile, which is its mobile version. At the end of the year, we prepared a new version of CitiFX Pulse, an acknowledged fx platform. Whereas, when it comes to retail customers, we designed a new version of the CitiMobile mobile banking system for them. Our successes in the area of innovations in 2012 were proved by the fact that we took the first place among banks in the ranking of 500 most innovative companies prepared by the Institute of Economics of the Polish Academy of Sciences, as well as the title of the "2012 Market Innovation Leader for Quality, Creativity and Efficiency" ("Rynkowy Lider Innowacji 2012 za Jakość, Kreatywność, Efektywność") awarded on us by Dziennik Gazeta Prawna and Strefa Gospodarki.

Thanks to **the Kronenberg Foundation at Citi Handlowy**, the Bank has carried out a vast array of programmes from the area of financial education, employee volunteering and cultural heritage protection already for 16 years. We are in the group of the most recognizable institutions in Poland taking actions for the purpose of popularizing economic education – it is worth stressing that the "My Finance" ("Moje Finanse") programme is the largest programme in terms of its reach in Europe. Our bank is also a leader in employee volunteering. In 2012, our volunteers provided help to almost 18,000 people. We also signed an agreement with the Ministry of Culture and National Heritage on common implementation of the programme of recovering works of art, lost during World War II. In 2012, we celebrated the 15th anniversary of the Kronenberg Foundation, which coincided with the 200th birthday of the Bank's founder and at the same time the patron of our Foundation.

The year 2013 will be a period abounding in challenges for the banking industry and its results. In the environment of lower interest rates, falling demand for loans and further interchange rate cuts, the banks' revenues will be under pressure. Citi Handlowy will also be affected by that. In spite of the forecast situation, in 2013 we will focus above all on further business development, maintaining at the same time a policy of efficient cost, capital and liquidity management. We want to retain our competitive edge by further improving the quality of our services and investing in modern technologies. I am deeply convinced that our strategy and the measures we took will contribute to our future success and to the strengthening of the Bank's market standing.

Handing you that annual report, **I would like to thank** our Customers and Shareholders for confidence, they put in our institution in the past year. On behalf of all Management Board members, I also wish to thank the Supervisory Board members for their support in implementation of strategic goals and invaluable guidance on our activities. I would also like to thank all Employees for their professionalism and contribution to strengthening our market position.

Sincerely, Sławomir S. Sikora

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