

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

Ladies and Gentlemen,

I have a great honor to place in your hands the Annual Report of Capital Group of Bank Handlowy w Warszawie S.A. for 2011. It was a very successful year for us in terms of both business and financial achievements.

From a **macroeconomic perspective**, in 2011 our GDP growth stabilized at a high level, which helped Poland stand out positively among other European countries. The main drivers of economic recovery were increased investors' activity and improved foreign trade activities. Despite tough challenges facing the eurozone, last year Polish economy proved to be very resistant to financial market turbulences.

In 2011 the Capital Group of Bank Handlowy w Warszawie S.A. **posted a net result of PLN 736.4 million**. We maintained high the key efficiency ratios (ROE – 12.9% and ROA – 1.6%) and our interest asset margin was one of the record figures in the market. We also recorded a significant improvement in the credit risk area. Both the risk costs and the Non-Performing Loan ratio declined. In 2011, we maintained safe and stable capital and liquidity ratios. The loan to deposit ratio (63%) and the solvency ratio (16.4%) were one of the best in the industry. Last year the Bank continued to implement the adopted strategy, mainly through increasing the volume of loans and savings accounts as well as focusing its operations on quality and innovation. As earlier assumed, we reported a significant growth in Corporate Bank lending (by 37% versus previous year) and retail mortgage loans (by 83%). A great success was also a big increase in both consumer and corporate operating accounts, which amounted to 30% and 6%, respectively, YoY.

In 2011, our Bank joined the WIG20, entering the prestigious group of the largest and the most liquid companies listed on the Warsaw Stock Exchange. We also maintained our position in the “RESPECT Index”, which recognizes the most socially responsible companies listed on the Warsaw Stock Exchange.

In 2011, we introduced a number of initiatives which aimed at maintaining high quality of services provided by the Bank. Our actions were reflected in the results of customer satisfaction survey – 71% of our customers and clients assessed high the quality of our service. Advancing further our offer for corporate clients, we launched a special internet service – CitiDirect.pl, introduced an electronic system for factoring application, simplified our credit procedure or extended the time for delivery of domestic transfer orders to the Bank. We also carried on various improvements for our retail customers such as new functionalities in Citibank Online, extended working hours at branches or a number of facilities for disabled people.

In 2011 we continued our works on innovative solutions for our customers and clients. We further improved our Citi FX Pulse platform to include more advanced features, expanded our offer of trade finance mainly through introducing a reverse factoring, which increased our market share and put us on the second place in factoring turnover among banks. Having our retail customers in mind, we introduced our innovative Urban Payment Card into other Polish cities – Łódź, Wrocław, Tricity, and we expanded Citi Mobile by launching new innovative applications such as Bump to Transfer or Fotokasa. Our offer was broadened by the multi-partner credit card - Citibank MasterCard® World and prestigious Citibank MasterCard® World Signia Ultime.

In 2011, **Dom Maklerski Banku Handlowego S.A. (Brokerage House of Bank Handlowy w Warszawie S.A. - DMBH)** for the third consecutive year defended its position as an unquestionable leader when it comes to volume of share trading, with 11,5% market share. Last year, DMBH acted in numerous significant capital market transactions which included amongst other public offering of the Jastrzębska Spółka Węglowa and Bank Gospodarki Żywnościowej. This year, our Brokerage House also co-managed public offering of Warsaw Stock Exchange bonds. It also acted as representative of Santander which announced a tender offer to purchase shares of Bank Zachodni WBK, the largest acquisition in the history of the Warsaw Stock Exchange.

The Group operates its **leasing business** through Handlowy-Leasing Sp. z o.o. and 2011 marks a significant increase of 28 percent in the value of newly signed leasing contracts with Bank's clients. This enabled a 17 percent increase in total assets leased as compared to previous year to PLN 297.9 million.

For the last 15 years, Citi Handlowy's **Kronenberg Foundation** has run several initiatives with the purpose of promoting entrepreneurship and economic knowledge as well as protecting cultural heritage and developing local communities. The Employee Volunteer Program at Citi Handlowy is the largest and most recognized program of its kind in Poland. In addition to the long-term and regular initiatives the Foundation holds, to respond to the current expectations of the society, we launched two new programs: "Building financial independence of women" and "Business Startup Project", which allows for the young and talented to make their dreams of opening their own business true. With the upcoming 200. birthday of Bank's founder and patron of the Foundation - Leopold Kronenbarg, the greatest 19th century Polish financier and entrepreneur, a philanthropist and patron of arts, we have published his first complete biography.

Looking into the future, in **2012** the Group's priorities will continue to achieve the highest level of customer service quality as well as further development of an innovative offer. I am convinced that such an approach will result in even higher client satisfaction and will contribute to long-term cooperation with current and future clients. We will also remain committed to generating sustainable value for our shareholders by providing a relevant return on capital as well as maintaining liquidity and capital adequacy on a level that will guarantee safety for our customers and create public trust towards our institution.

While presenting to you this report, **I would like to thank** you - our Customers and Shareholders - for the trust you placed in us in the last year. On behalf of all Management Board members, I also wish to thank the Supervisory Board members for their guidance on our Group's activities. I would also like to thank all Employees for their tireless work, commitment and contribution to strengthening our market position.

Sincerely,

Slawomir S. Sikora

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