

Warsaw, March 21, 2019

Dear Shareholders,

Poland's economy achieved excellent growth in 2018. Exceptionally high GDP growth together with, among other things, record-low unemployment translated into a surge of optimism among our clients. Bank Handlowy w Warszawie S.A. Group, which operates under the brand of Citi Handlowy, made the most of both the good economic situation and the positive customer sentiment. In 2018, we, again, expanded the scale of our business and proved that our organization is a trustworthy partner of companies, individual clients and investors.

In 2018, the net profit of the Group increased by 19.3 percent to PLN 638.9 million. This was enabled by the consistent growth of revenues to PLN 2,160 million, i.e. by 4.4 percent as compared to 2017. As declared, our return on equity (ROE) exceeded 10 percent, i.e. it was significantly above the banking sector level of 7.2 percent. In turn, our ROA was 1.4 percent, versus 0.80 percent for the entire banking sector.

We extensively support our clients in the pursuit of their own plans. Our business with institutional clients rose 13 percent year over year (assets increased in all segments: corporate clients +16 percent yoy, global clients +16 percent yoy and commercial bank +6 percent yoy). We can also be proud of our success in treasury and trade solutions banking where the average balance on operational accounts increased by 4 percent yoy.

We were consistently following the newest trends and technologies while co-creating and implementing them for the benefit of our clients. In the years to come, one of our strategic target groups will be the economy-of-tomorrow companies with a high growth potential, which we want to provide with financial solutions that enable a swift adaptation of their business models to their rapidly changing scale of operations. As part of this leading-edge approach, we launched *Digital Onboarding* last year for acquiring and serving institutional banking clients. It is carried out fully online, using iPads – it is totally paperless from the start.

In 2018, we were successfully developing our e-commerce offering for institutional clients. Our main strength is still our online foreign exchange platform *Citi FX Pulse*, which gives access to more than 130 currencies and enables its users to carry out transactions round the clock from any place in the world. This solution helped us maintain our leading position in the FX market and increase our FX transaction volumes by 3 percent versus 2017. Cooperation with the largest e-commerce partners also brought an increase in the sales of the credit card in digital channels by 26% yoy. Based on co-operation with the biggest players in the e-commerce market, the cutting-edge acquisition strategy of Citi Handlowy's Credit Card received the main prize in the "Business Model" category in the *Innovation 2018 Award* organized by *Stowarzyszenie Komunikacji Marketingowej SAR*.

The Bank is also a reliable partner of the Polish Government. Traditionally, for the sixth time in a row, Citi Handlowy took the first place in the competition organized by the Ministry of Finance to select *Treasury Securities Dealers* for 2018. Yet another consecutive victory of the Bank in the prestigious competition held since 2002 confirms our strong position in this market segment.

In 2018, our institutional clients business increased by more than 10 percent concurrently with the growth of our retail operations. In the latter strategic area of our activities, we achieved a 5 percent increase in business with retail clients, including as a result record high sales of mortgage loans (PLN 357 million, i.e. +12 percent yoy). The deposits our clients placed with us rose by 15 percent yoy, to a considerable extent thanks to our successful efforts to win the trust of our strategic target group – Citi Private Client (increase by 8 percent yoy).

As the first bank in Poland, Citi Handlowy made its APIs available, thus giving third parties access to data of clients of banks in accordance with the EU Payment Services Directive 2 (PSD2). During the *PSD2 Challenge*, i.e. a competition arranged by Citi Handlowy for the best integration with the use of APIs, for instance with respect to compliance with the Directive, we looked for the most interesting concepts of integration of APIs we use for acquisition and corporate purposes. Our achievements in the area of banking digitization are confirmed by the total number of the Bank's clients who use mobile banking – showing a 22 percent increase between the fourth quarter of 2017 and the fourth quarter of 2018. In 2018, we also made our début in the area of contextual banking, which enabled our clients to use a dedicated Citi Specials program of privileges, for example discounts when shopping or limited pre-sale concert ticket offerings.

Our solutions are acclaimed by both clients and experts, as well as the media. We won an award in the 15th annual Private Banking Survey by “Euromoney”. The private banking of Citi Handlowy was also acknowledged in a ranking of Forbes Magazine – “*Perfect Banks for the Most Wealthy*”, where the offer of Citi Handlowy received the highest note, that is 5 stars. The Bank was rewarded in the ranking for its globality, under which it offers its services to clients running their businesses all over the world. The judges' panel of the *Golden Banker* ranking named the Citi Simplicity Credit Card the best card in the market for the third time in a row. The Cash Loan at Citi Handlowy also ranked among 3 top products. The credit card has been a flagship product of Citi Handlowy for 20 years. It is appreciated by clients for clear and transparent rules and outstanding functionality.

In another ranking – *World's Best Consumer Digital Banks In Central & Eastern Europe 2018*, published by the American prestigious “Global Finance” magazine, Citi Handlowy was named the Best Digital Bank in Poland. We received a distinction for top quality electronic banking services for retail clients.

We achieved those excellent results and achievements while ensuring capital security of the Bank as financial strength is incessantly one of Citi Handlowy's distinguishing advantages.

We keep our capital adequacy ratio at 16.8 percent, i.e. about 5.2 p.p. above the new minimum capital thresholds.

In 2018, we started a new chapter of Citi Handlowy's history, in which digitization has a key role to play. So, we commenced the digital transformation of the Bank, following our strategy adopted for 2019-2021. This strategy is made of 3 main components: usage of technology (including tools for data collection and processing and opportunities created by artificial intelligence, machine learning and cloud technologies), contextual banking for clients and transformation of Citi Handlowy's organizational culture towards a model which ensures the maximum utilization of opportunities offered by digital revolutions.

The planned digitization of Citi Handlowy is based on solutions that meet the evolving needs of clients and make use of opportunities created by technology, mainly by mobile devices. We will focus on providing solutions, not products, and the key to the accomplishment of our goals will be investments in technologies that enable us to serve our clients at any time and in any place throughout the world. In the first six months of 2019, for example, we will implement a technology that makes it possible to provide financing to new clients on the basis of an ID document and a bank statement. The process would be done automatically: from online verification of documents and salary to biometric identification.

The implementation of our strategy will translate into the expansion of our client-related business, which in turn will help us accomplish our financial goals, such as high one-digit annual-average growth of credit volumes in the retail banking segment and the medium one-digit annual-average growth of credit volumes in the institutional banking segment; high one-digit annual-average growth of revenues from client operations; and keeping our ROE above 10 percent in 2019 – 2021, and pushing it above 12 percent at the end of that period.

An extremely important component of Citi Handlowy's strategy for the years to come is a new organizational structure, which is our response to the changing needs of our employees and reflects our new approach to ensuring an effective work environment. In Citi Handlowy, we are implementing the *People Strategy*, which is aimed, among other things, at introducing significant changes to increase the flexibility of work time and place, strengthening inter-generation dialogue, promoting a culture of acceptance of diversity of our teams, creating new development paths, *inter alia* by increasing mobility of our employees within the structures of Citi Handlowy and reinforcing the culture of appreciation of everyday achievements and successes of our employees.

The positive impact which Citi Handlowy exerts on the society is as important as the financial aspect of its activities. Our corporate social responsibility initiatives are described in more detail in the "Non-financial information report". That report is an integral part of our annual report as making a maximum positive impact on society is an integral part of our banking DNA, which is confirmed by many awards we have won.

For the 12th time, Citi Handlowy was included in the *RESPECT Index* – and has been its part continuously since 2009. And in the *Responsible Company Ranking 2018* organized by Gazeta Prawna, Citi Handlowy was ranked at the Crystal Level, which involves CSR mature and active companies.

On the occasion of the publication of the Annual Report, I would like to thank our employees for their performance and achievements in 2018. The development strategy of Citi Handlowy is ambitious but I am sure that the team I have the pleasure to lead will manage the task. For myself and on behalf of the entire Management Board, I also want to thank the Members of the Supervisory Board for their contribution and support.

Sincerely,

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