

Warsaw, 25 May 2004

Letter of the President of the Management Board of Bank Handlowy w Warszawie SA

Ladies and Gentlemen,

2003 was a successful year for the Bank Handlowy w Warszawie SA Group. We made significant progress in our priority areas with respect to the long-term development plans for the Group. The first of these areas is consolidation of the market position of our strategic companies which provide brokerage, asset management, and lease services. The second area is the strengthening of cooperation between the strategic companies and the Bank. The third area is the continuation of activities to adjust the Group structure to the target model.

In 2003 particularly good results were attained by Dom Maklerski Banku Handlowego S.A. which moved to the market leader position with an 18.6% share in equity trade. The total value of trade in all types of securities and financial instruments settled by DMBH in 2003 amounted to PLN 15.5 billion, i.e. more than twice the value than in the previous year. The Company has announced its strategy of restructuring and development, which will make it possible to further improve the dynamism and effectiveness of operation. One of the key elements of this strategy will be an increase in the distribution of DMBH products through the network of consumer banking branches and the call centre of the Bank, and the construction of an Internet platform.

Efficient cooperation with consumer banking branches of the Bank was a key to obtaining growth in activity of the entities providing asset management services. The portfolio of assets under management of Handlowy Zarządzanie Aktywami S.A. increased in 2003 from PLN 1,438 million to PLN 1,615 million, i.e. by 12%, and the net value of funds offered by Towarzystwo Funduszy Inwestycyjnych Banku Handlowego S.A. increased from PLN 783 million to PLN 917 million, i.e. by 15%. Strengthening of cooperation with the Consumer Banking Sector, which is the main distribution channel for asset management services, and cooperation with the Corporate and Investment Banking Sector, through which the corporate customers of the Bank were offered participation units in the CitiLiquidity fund, brought good results. It is worth adding that in 2003 the availability of TFI BH products was further increased by the commencement of sale of participation units in funds by entities outside the Group.

In line with their sister companies providing brokerage and asset management services, our companies providing lease services also increased the scale of their activities in 2003. The total value of leased assets of Handlowy-Leasing S.A. and Citileasing Sp z o.o. increased from PLN 420 million to PLN 456 million, i.e. by 9%. Moreover, both entities continue their work on unification of internal procedures and on improving the rules of cooperation with branches of Bank Handlowy w Warszawie SA., to be able to merge into one strong entity in the future.

The results of cooperation between the Bank and CitiInsurance Towarzystwo Ubezpieczeń na Życie S.A., proved to be extremely promising. Although this company is not part of the Group, it provides a valuable supplement to the product offer of the Group, and commissions on the sale of its products through distribution channels of the Bank have already become an important component of the commission income earned by the Group.

As I have mentioned at the beginning, an important direction of activities of the Group in 2003 was modifying the Group's structure in accordance with the target model. This model, adopted after the integration with Citigroup, concentrates on the development of selected entities which supplement the product offer of the Bank and of consolidation of the Group's competitive position in the market of financial services, with the concurrent withdrawal from non-strategic capital exposures.

In 2003, we made significant progress towards the defined structure of the Group. The parent entity of the Group and the investment companies made a number of deals as a result of which the capital exposure in the available-for-sale portfolio was reduced. The most important of such deals included the sale of shares in Z.O. Bytom S.A., Bytom Collection Sp. z o.o., PKO/Handlowy Powszechne Towarzystwo Emerytalne S.A., and Globe Trade Centre S.A. Moreover, the Equity Investment Centre of the Bank conducted analyses of available strategic options for the shareholdings held in the construction sector companies.

We are now facing new challenges. Our most important priorities are business development, consolidation of existing relations, acquiring new customers, enlarging our product offer, and further improvement of financial results, to which – as we hope – the improving economic condition of the market will contribute. Within the framework of the Group, an important tool for the attainment of these objectives will be efficient cooperation between individual entities, so that we will optimise the use of our resources and ensure that our customers have access to the complete product offer.

Sławomir Sikora

President of the Management Board