

LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD OF BANK HANDLOWY W WARSZAWIE SA

Ladies and Gentlemen,

I am pleased to inform you that the year 2004 was an successful year for the bank's capital group. We made a net profit of 416.1 million zloty, i.e. as much as 40.3% more than in the same period of the preceding year and we have strengthened the market position of our strategic companies, offering leasing, brokerage and asset management services.

The Bank as a dominant entity achieved best financial result since the merger of Bank Handlowy with Citibank (Poland) SA, and managed to confirm our leading position in many areas of commercial, investment and retail banking. The net profit of Bank Handlowy in 2004 amounted to 414 million zloty, which is an increase of 125 million zloty, or 43.6% over the same period in the previous year.

Bank Handlowy's Brokerage House (DM BH) achieved very good results last year and recorded an increase in turnover of 64% compared to 2003. It strengthened its position as leader, achieving an 18.5% share in total turnover made by all the brokerage houses on the equity market. The best evidence of this is the award of the President of the Warsaw Stock Exchange for DM BH for the largest share in stock trading in 2004. The market environment had a decisive influence on improving the financial results of DM BH in 2004 - the good economic conditions on the equity market were a result of, among others, Poland's accession to the European Union and numerous stock exchange debuts.

Our asset management company - Handlowy Zarządzanie Aktywami SA (HanZA) - also enjoyed a large increase in turnover. At the end of 2004 the value of assets under HanZA management amounted to 2,439 million zloty, which constitutes an increase of 50% compared to the end of 2003.

The net assets managed by Towarzystwo Funduszy Inwestycyjnych Banku Handlowego S.A. increased by 10% to 1 billion zloty. In 2004 the assets managed by equity and mixed funds doubled, reporting very good investment results: CitiEquity OIF – an increase in the rate of return of 20.42%, Eastern European CitiBalanced OIF - 16.17%, and CitiSenior SOIF 9.08%.

Furthermore, the important events of 2004 include a change in strategy by CitiBalanced OIF enabling investment of the fund's assets in shares of companies listed on Central European stock markets.

The total value of contract assets for leasing companies in the Capital Group, with Handlowy-Leasing S.A. as the leading company, amounted to over 200 million zloty at the end of 2004. Last year was a period of intensive work on developing the products and services offered and adapting them to the changes connected with Poland's accession to the European Union. In the 4th quarter of last year Handlowy Leasing S.A. issued its first promissory notes to grant leasing under the first round of applications for subsidies from structural funds.

I am pleased by the continuous growth trends in incomes reflecting the better and better utilization of Bank Handlowy Capital Group's potential. We have set ourselves ambitious targets for the coming years. Our priority remains to increase the share in key market segments and expand the product offer, and to systematically increase value for shareholders by ensuring a proper return on equity. I believe that with the continuing economic growth we will be able to achieve this and the year 2005 will be a period of dynamic growth for us.

Apart from these tangible business targets, we will consistently support public activities implemented through the Leopold Kronenberg Foundation, particularly with respect to economic education, culture and arts, and health care. We also intend to strengthen the organisational culture, to make it more consistent with the values and objectives of Citigroup. We want to gain the reputation of being the best institution on the market - not only with respect to our financial results, but also as the best employer and corporation with the highest ethical standards.

Sławomir Sikora
President of the Management Board