

Warsaw, October 22, 2013

**Current Report No. 22/2013**

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**Re: Transformation of Consumer Banking Distribution System and Further Improvement of Efficiency of Bank Handlowy w Warszawie S.A. (the “Bank”)**

**Legal basis:**

Article 56 clause 1(1) of the Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies (Journal of Laws of 2005, No. 184, item 1539)

Given the changing customer behavior, a dynamic growth of modern technologies and executing on the strategy to be an efficient bank, the Management Board of Bank Handlowy w Warszawie S.A. (the “Management Board”) made a directional decision to transform the consumer distribution system towards the Smart Banking Ecosystem and optimize the operational model to further improve operational efficiency of the Bank.

The Smart Banking Ecosystem represents the future of retail banking which, following changes in customer behavior and preferences, assumes shift of the focus from traditional branch banking towards Smart modern outlets located in the places frequently visited by the Bank’s customers along with the use of the most up-to-date technologies for mobile and online tools allowing customers to bank in a comfortable way.

Following this change, the Bank is planning that 25 Smart outlets will be operating in the largest Poland’s agglomerations (G9) by the end of 2014, thus replacing traditional banking branches. This is a continuation of the 2010 strategy that focuses on the bank’s presence in the places most frequently visited by the target customers and concentration on the markets with the highest growth potential.

Making decision to open Smart outlets in G9, the Management Board also decided to exit in 2013 19 retail banking outlets located outside the target markets. The customers from these locations will be offered access to banking services through a centralized sales unit, CitiPhone services and internet and mobile platforms.

In order to further improve operational efficiency in the continuously changing macroeconomic, regulatory and market conditions and to reach the cost to income ratio of not more than 50%, the Management Board resolved to optimize and reorganize of operational processes.

In view of the above, the Management Board resolved to terminate employment with no more than 792 employees (including up to 684 employees from retail banking area) pursuant to the Act on Specific Rules for Terminating Employment for Reasons Not Related to Performance or Misconduct (the „Act”). The group termination will take place starting on the day of concluding a settlement agreement with trade unions and will continue until October 31, 2014. The details of the group termination will be discussed and agreed with trade unions.

In order to reduce the negative impacts of the employment restructuring, the Bank will take a number of efforts to provide ongoing support to the affected employees. These efforts will include opening new jobs (Citigroup entities operating in Poland and Bank Handlowy are planning to open more than 1,000 job positions in 2014) and providing outplacement program for employees.

The restructuring charge will amount in total to PLN 62.3 MM and will include the costs of termination benefits for the employees laid-off under the above Act and the costs related to earlier termination of lease agreements and rents starting the cessation of branch operations until the end of lease agreements. The amount of the restructuring charge will be recognized in the results for the fourth quarter of 2013.

The Management Board expects that the actions taken in order to improve the efficiency will decrease the Bank’s expense base by around PLN 100 million annually.