

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

Dear Shareholders,

It is with great pleasure to submit to you the annual report of Bank Handlowy w Warszawie S.A. to you. 2013 was a year in which we were building on our strategic goals and we made a few important changes to our business. Taken together, we have established a foundation for future success in selected markets. Our Group has generated a record-breaking net profit since going public in 1997.

The last year saw a gradual, **but considerable improvement in the economy** and Poland once more ranked among the highest-growth countries in Europe. Rising consumption and investments in the second half of the year, when Polish companies took advantage of recovering demand in Germany, should be considered a positive signal. The revival of Poland's economy was also supported by a significant drop of the central bank's interest rates to the all-time low level. The strength of Poland's economy was also proven by a relatively stable trend of the Polish currency, despite growing concern about the direction of the U.S. monetary policy and a sell-out in global financial markets.

The Bank closed 2013 with a **net profit of PLN 934.8 million** and managed to keep its key financial ratios at a high level compared to the sector, with Return on Assets (ROA) equal to 2.1% and Return on Equity (ROE) amounting to 14.4% versus 1.1% and 10.3%, respectively, for the whole banking sector. The Cost/Income ratio improved, excluding the impact of the restructuring provision, to 51%. We also maintained a secure and stable capital and liquidity situation, which is confirmed by our Loan-to-Deposit ratio (62%) and Capital Adequacy Ratio (17%). In addition, the year 2013 was another period of improvement in the quality of our credit portfolio. The NPL ratio dropped 0.4 percentage points versus the previous year, to 6.8%. The continuous improvement trend for the credit portfolio also led to positive net write-offs at a level of PLN 34 million, compared to PLN 53 million in 2012

We may also consider 2013 a remarkable time for our operations in financial markets. This is endorsed by the first place of the Bank in the Euromoney ranking in the FX trade category, with a 36% market share. Citi Handlowy was again the winner of the Treasury-securities dealer contest, arranged by the Ministry of Finance. In 2013, Citi Handlowy was once more the leader in the market of banks-depositaries, with a 49% share in the market of assets under custody. In turn in the **transactional market segment** we achieved an outstanding increase in factoring turnover (by 26%) and trade finance assets (by 21%), but also the impressive growth of current deposits by 20% year on year, compared to an 11% increase in the banking sector. **In retail banking** a continued increase in current deposits should be noted (by 23% year on year compared to 18% in the sector).

One of the strategic projects pursued by Citi Handlowy in 2013 was the development of its global proposal. The Bank was proactively expanding the **Emerging Market Champions** program, dedicated to Polish corporate clients and global clients to ensure assistance and financial services in support of their expansion into foreign markets. As at the end of 2013, the program served over 270 clients (of which 241 global clients investing in Poland through Citi Handlowy and 31 Polish corporate clients investing globally through Citi Handlowy, including KGHM, Maspex or Polpharma). For individual customers the Bank launched new global services, e.g. outgoing foreign instant transfers, a program of privileges available globally or an option to link a debit card with foreign currency accounts. New services were also started for global investors, like the investment platform CitiFX Pro, Dealer FX application by phone or investment advisory services for foreign funds.

In the third quarter of 2013, the Management Board of the Bank made a targeted decision **to transform the distribution system towards the Smart Banking Ecosystem**. The decision resulted from a changing pattern of customer behaviors and a vibrant development of new technologies, as well as from our intent to implement the strategy of an efficient bank. The Smart Banking Ecosystem concept is about moving away from brick-and-mortar branches to modern Smart outlets located in the spots where the Bank's activities can intersect with its customers' paths. We were the first in Poland to introduce such a revolutionary trend which redefines the role of a bank branch. Smart outlets operate the most advanced technologies that facilitate convenient contact with the Bank, i.e. mobile and online solutions. The pilot Smart branch was opened in the Galeria Katowicka shopping center and was soon followed by another one at the Galeria Mokotów shopping center in Warsaw. The Bank perceives the Smart Banking Ecosystem project as its transformation towards innovation.

Citi Handlowy is a socially responsible company. Acting through its CSR arm, **Leopold Kronenberg Foundation**, it has been implementing a variety of programs in the fields of financial education, national heritage and employee volunteering for 17 years. We are a leader in promoting knowledge about finances. In 2013, we ran 9 programs in this area, including "My Finance", the largest financial education initiative in Europe. Under the Citi Handlowy Employee Volunteering Program our volunteers completed over 1200 projects in support of nearly 160,000 people in 2005-2013. The program is not only one of the largest and best perceived initiatives in Poland, but also serves as a model for other companies that have decided to launch their own voluntarism schemes. As the bank with the longest presence in Poland we see the protection of national cultural heritage as a top priority. Together with the Ministry of Culture and National Heritage we run a program aimed at recovering the works of art that were lost during the Second World War. We also grant Professor Aleksander Gieysztor awards every year to individuals and institutions making outstanding contribution to the protection of national cultural heritage. In 2013 the Bank was again included in the RESPECT Index, a WSE index of the most socially engaged companies. Citi Handlowy is one of the two banks that have been included in that index since its first edition.

Our accomplishments this year would not have been possible without the trust which you, our clients and shareholders, have placed in us. On behalf of the whole Management Board, I would like to thank the Members of the Supervisory Board for their contribution in executing on our strategy and for their invaluable professional oversight over our business. My appreciation also goes to all the employees who contributed to the growth of our Bank in 2013 through their hard work and commitment.

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