

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

Ladies and Gentlemen,

This year, Bank Handlowy w Warszawie S.A. (operating under the brand Citi Handlowy) celebrates its 150th anniversary. We are the oldest bank in Poland, providing banking services continually since 1870 to develop Polish enterprise and to support innovation. By delivering financial solutions to our clients, we support their ambitions and help them carry out their plans. With our support, they can spread their wings and implement their inventive concepts. Together with our business partners, we are successful in addressing the needs of the times in order to change the economy, the environment and the social life in a positive way. Therefore, those 150 years, during which history and activities of Citi Handlowy have been inextricably interwoven, were the time of building and progress for both Poland's economy and society. While giving you this report, I am proud that I can invoke that meaningful anniversary and the heritage that inspires us and motivates us to boldly look into the future and to take up new challenges to enable our client to continue their development.

For our Bank, the year 2019 was a time of rapid growth of both business volumes and revenues. As assumed in the strategy we adopted at the beginning of the year, this growth was mainly driven by client business, in particular in institutional banking. Once more, as a result of our achievements we won the trust of institutional & individual clients and investors.

During last year, Poland's economy was growing at 4.1 percent. However, in the second half of the year some signs of a slowdown emerged in connection with rising trading tensions between the United States and China. The uncertainty about foreign markets adversely affected the willingness of Polish companies to invest, with a secondary effect on domestic demand. At the same time, low unemployment helped maintain the high growth of wages, but at the expense of pushing inflation higher. Some of our clients were supported by continuously high consumption.

In such macroeconomic and political environment, we achieved a double-digit increase in loans in Institutional Banking, mainly fueled by the growing loan portfolio of global clients and Polish largest companies, and our all-time high level in this area. We reinforced our leading position in global banking. The year 2019 was for us a third year in a row with the double-digit growth of assets of our globally-operating clients.

In 2019, the Bank recorded a net profit of PLN 479 million. Revenues rose by 3 percent, to PLN 2.2 billion. Return on Equity (ROE) was at 7.4% and excluding one-off events was 9.9%, while Citi Handlowy's ROA amounted to 0.9 percent, as compared to 0.7 percent in the banking sector.

Citi Handlowy is still the bank of the first choice for Polish and international financial institutions. The year 2019 saw new records in terms of assets covered by securitizations. We used our vast experience in this market to complete securitization transactions totaling PLN 4.5 billion, which accounted for 80 percent of all such transactions finalized in Poland's market throughout the year. One of such transactions was the record-high sales of leasing securities by one of Polish leading leasing companies to a securitization special purpose entity (SSPE), amounting to PLN 2.5 billion. The experience of Citi Handlowy in arranging such financing and our local expertise combined with global know-how, make us a professional and reliable partner for such transactions, both in terms of obtaining financing and releasing the capital.

The advantages of Citi Handlowy, such as its global nature supported by local expertise and solutions adapted to Polish legal requirements (e.g. split payment), translated into high business dynamics. Its position of a partner of international corporations, which offers global solutions, is confirmed by an increase in FX turnovers and in international funds transfers.

Citi Handlowy was also successful in developing private banking. The results of the survey conducted by Euromoney, in which the Bank took the first place in as many as 9 categories, confirm my own belief that we have the best private banking offer in Poland. The number of customers of this business line increased by 57 percent vs. the prior year period thanks to, i.e., our support to customers in making investments in global shares and bond markets as well as offering investments in foreign bonds via the Citi FX Stocks investment platform.

The Bank supported the development of its clients not only by offering them financial solutions tailored to their individual needs but also by investing in innovative technologies. We have built a system to serve our clients remotely – now they have our banking services within reach. As the first bank in Poland, last year Citi Handlowy launched an entirely remote and automated process for applying for a credit card based on biometric solutions. With this, our clients can initiate that process from any place and the automated income and identity verification process has considerably reduced the time of waiting for credit approval.

We also increased our focus on cooperation with companies from the so-called new economy. As part of the Silicon project, we offer solutions to tech start-ups to support their growth and to enable them build strong innovative companies, able to conquer the whole world.

The economic slowdown in the second half of the year was not without an impact on the business environment of our bank. After 10 years of positive experience with our risk management model, which let us keep our costs of risk significantly below the average market level throughout the last decade, our impairment charges went higher in 2019. Our model allows such a situation in such a time framework.

In pursuance of the strategy of our Bank, which assumes that Citi Handlowy's leading position in the corporate services market will be used to build an attractive proposal for both corporate clients and their individual customers, we started cooperation with BP in December 2019 to launch a co-branded credit card, which Citi Handlowy has been offering to its clients since February 2020. The BP Citibank cards give its users unique benefits, including no annual fee, *cash back* when buying fuel and special promotions at BP filling stations, Citi Specials discount program, and access to exclusive presales of tickets to concerts of the most famous stars.

The development of Citi Handlowy's business was coupled with a transformation of our organizational culture. With the changing needs of our employees in mind, and following our new approach to ensuring effective work conditions, we implemented our People Strategy initiative. The team assigned to that task includes the most committed representatives of our organization. Together with them, we have been implementing changes to make our work time and place more flexible, to strengthen our intergenerational dialogue, to promote a culture of diversity in our teams and to find new paths of development, including within the structures of Citi Handlowy. Also, we don't forget that all credit for the success of our Bank goes to our employees, therefore we promote a culture of mutual recognition and thanking for everyday achievements and accomplishments.

According to the mission of Citi Handlowy, we support both economic and social aspects of growth and progress. Our activities to build a society that both is inclusive and accepts diversity and other initiatives that enable local communities to develop are broadly covered in the "Non-financial Report," which is an integral part of our annual report. The positive impact of our activities on the community is confirmed by many awards granted to Citi Handlowy in 2019.

By the end of 2019, Citi Handlowy was listed in the RESPECT Index, started by the Warsaw Stock Exchange (WSE) in 2009. Citi Handlowy was one of a few listed companies rewarded that way since the first edition. Since September 2019, socially responsible companies are listed on the WSE in a new index, WIG-ESG, which has been replacing the RESPECT Index from January 2020. In addition, Citi Handlowy has been a member of the SuperEthical Companies Forum for two years. This prestigious group includes companies that have won the “Ethical Company” award at least three times. Citi Handlowy has been recognized for the most complex and systemic involvement in building and fostering an organizational culture based on ethics and values.

The development strategy of Citi Handlowy, implemented at the beginning of 2019, is ambitious and effectively supports our business. We have been implementing it successfully since then thanks to the devoted team I have the honor to lead.

At the beginning of this year, it turned out that there would be a lot of challenges which both global and Polish economy have to face. It is reasonable to assume that the crisis triggered by the COVID-19 outbreak in China at the end of 2019 and its continuous spreading throughout Europe and Americas in the next months will adversely affect the outlook for Poland's economy in 2020. This can considerably deteriorate domestic activity by leading to a slowdown in consumption and exports. Therefore, it is so important for us to continue to support our clients' plans and to help them if they are influenced by this pandemic-related situation, unprecedented in Poland.

With this annual report of our Bank for 2019, I wish to express my thanks and respect to the Members of the Supervisory Board for their work and support for our activities. I also want to thank our shareholders and clients for their loyalty and trust, which make us feel ready to take up new challenges and for the next years of joint development and progress.

Best regards,

Sławomir S. Sikora

President of the Management Board

Bank Handlowy w Warszawie S.A.