

Warsaw, 19 May 2003

Cezary Stypulkowski

President of the Management Board
of Bank Handlowy w Warszawie SA

Dear Shareholders,

For Bank Handlowy w Warszawie SA and its Capital Group 2002 represented a period of continued, intensive activities related to its integration with Citigroup, the largest financial holding in the world. As a result of these actions we have been successful at carrying out the majority of integrative aims, which were outlined after Citigroup acquired a majority interest in the Bank in the year 2000 and after merging with Citibank (Poland) in March of 2001.

Achieving full technological integration was the most important event in the Group's parent entity, Bank Handlowy w Warszawie SA. We achieved this by implementing *FlexCube*, a commercial and investment banking IT system which substituted the *IBIS/AS* and *IBBS* systems previously used at Bank Handlowy and Citibank (Poland). The new system is among the most modern of IT systems currently used in Polish banking while its high functionality is evident by the fact Citibank has decided to implement *FlexCube* in its entities in Europe, countries of Asia and the Pacific as well as the emerging markets group.

In November, the Bank assumed a new trademark "citibank handlowy" common to commercial and investment as well as retail banking operations which until now had appeared under separate brands – Bank Handlowy and Citibank. The entire branch network both corporate and retail banking will carry a common logo supplemented by the Bank's statutory name. The change to the branch signage will be introduced successively by the end of 2003. This decision closes a certain stage in the history of our institution on the other hand, however, it should positively influence the Bank's ability to be identified and strengthen its identity as an element of the Citigroup structure. Moreover, the unification of the brand fully reflects the Bank's strategy as an institution offering a range of financial products for all customer groups under one roof and will give us the opportunity to utilize marketing synergies between the corporate and retail segments of our institution.

The consistent opinion of the majority of pundits was that 2002 was among the most difficult years for the financial sector from the beginning of the transformation of the Polish economy in 1989. Revenues were under strong pressure from decreasing interest rates and hindered business volumes growth such as credits and deposits. The main factor, which influenced the sector profit decrease, especially in respect of the banking sector, was the severe credit risk increase. In the case of corporate credits this pertained to low business feasibility, financial losses or even bankruptcies in this client group while in the case of retail credits the risk was caused by unemployment growth and a drop slow down in the average real wage growth rate. As a result, banks were forced to incur the highest costs of creating specific provisions for problem loans. Difficult market conditions had also an adverse impact on a majority of other financial market segments. The only segment reporting net profit growth was insurance business, of which the most successful were life insurance companies.

In response to a sustained pressure on the financial result from the revenue side and the provisioning costs, the Group had undertaken numerous actions aimed at neutralizing or limiting these disadvantageous trends. Particular emphasis was placed on the process of cost adjustment. As a result of intense cost restructuring and rationalization as well as disciplining current expenses we were successful at maintaining operating costs under control.

In 2002 the Group continued to modify its structure according to the assumptions formulated for the needs of integration with Citigroup. For this purpose the parent entity of the Group and its special purpose investment vehicles concluded a number of transactions that led to a reduction of the Group's exposure in the companies that were previously placed in the available-for-sale portfolio.

Special focus was put on the liquidation of the exposure in banking entities, including in particular the entities that are located abroad, which was due to the lack of grounds to hold shares in these companies after getting access to the Citigroup global network. As a result of the above the Bank sold, among others, all its shares in Cuprum Bank S.A., Bank Handlowy International S.A. and Mitteleuropäische Handelsbank AG. On the other hand, the increase of the Bank's share in Bank Rozwoju Cukrownictwa S.A. to 100.00% was related to the plan to sell or liquidate this unit in the future.

Another important modification in the Group's structure in 2002 was a reduction of the exposure in non-finance entities that were established as a result of the Group's investment policy in the 90s and now they do not suit the target group model adopted after the merger with Citigroup. The most important transaction in this group of entities was the sale of all shares in Hortex Holding S.A. from the food industry. Additionally, the Bank analyzed all available strategic options as regards the exposure in companies from the construction industry, which has recently been going through very difficult times. Poor financial standing of these entities forced us to make a substantial correction in the balance sheet value of shares in these entities.

The target model of the Group which was accepted as a result of the merger with Citigroup assumes a focus on the development of selected entities which are to efficiently supplement the Bank's product offer and strengthen the Group's top position in the financial services market. In order to do this a group of strategic companies was formed. It consists of entities rendering leasing, factoring, brokerage and investment banking services. Last year these companies worked very hard on adjusting to the new operational environment, development of a product offer and customer base as well as on drawing up new business strategies.

An area of particular pride for us was the success of our offering in the investment banking area. Handlowy Zarządzanie Aktywami S.A. ("HanZA") achieved excellent management results. All of the asset management strategies followed by HanZA beat their corresponding benchmarks. In the period described all assets under management or advice by HanZA doubled and by the end of 2002 amounted to PLN 2.4 billion. During this time our investment fund society Towarzystwo Funduszy Inwestycyjnych Banku Handlowego S.A. ("TFI BH") noted an increase in assets under management by 94% to PLN 783 million. The number of investment funds run by the company increased from 5 to 8. Achieving such good results was possible thanks to effective cooperation with the Retail Banking Sector which has become the main channel for distributing HanZA's services and participating units of the TFI BH funds. This cooperation was an excellent example of a successful utilization of cross-selling opportunities by units of the Bank's Capital Group.

In September 2002, the Group's business line range was enlarged by the CitiFinancial brand. Under this brand name we have initiated cash loan services to individuals with lower incomes. At the end of the year CitiFinancial had four locations while development plans foresee a nationwide expansion of the chain. Last year we also undertook cooperation with CitiInsurance Towarzystwo Ubezpieczeń na Życie S.A. which was a result of implementing the Citigroup bancassurance strategy for Poland. Currently the CitiInsurance products are offered through the Consumer Banking Sector and CitiFinancial channels of distribution.

Today, we are an entirely different institution from the one that I managed for twelve years. Looking at it from a perspective of two years from its merger with Citibank (Poland) one can see clearly the enormous changes that

have occurred in our organization during this time. Thanks to the hard work of a team of individuals we have become a well-composed part of a huge financial conglomerate. I am deeply convinced that from the phase of integrating with Citigroup we are coming out strengthened and better prepared to compete effectively on the modern financial market.

New challenges lay ahead of us. We want to stabilize the new structures and solutions implemented during the integration in order to improve their effectiveness and reliability while at the same time, raise the quality of our services. Economic recovery which, I believe, is slowly appearing in our country will validate the accuracy of the financial group model selected on the basis of which we transformed our institution in recent years. The main criteria of this validation will be the capacity to increase the scale of operations and increase revenues on business activities. On behalf of the Group's management I would like to assure you that we will put all efforts forth to meet these challenges. Most surely, our potential predestines us to play a leading role in the Polish financial sector.

Sincerely,

Cezary Stypułkowski