

Warsaw, March 27, 2006

FROM THE PRESIDENT OF THE BANK'S MANAGEMENT BOARD

Ladies and Gentlemen,

In 2005, the Group of Bank Handlowy w Warszawie SA implemented significant changes to adapt its structure to the target model. It assumes that the Group will focus on development of the strategic subsidiaries. Their primary task is to ensure the effective support and enhancement of the Bank's product range, as well as the reinforcement of the competitive position of the entire Group in the financial services market.

The economic environment of the Bank was stable and exports were the main factor of growth in 2005, as in previous years. However, both corporate capital expenditure and consumer spending trends deteriorated. The previous year was very successful for the equity market. Invigorating conditions in the securities market resulted from the interest Poland had aroused in the investing community after the accession to the European Union, and numerous IPOs.

The net income of the Group for 2005 amounted to PLN 616.4 million, i.e. increased by PLN 121.4 million, or 24.5%, as compared with 2004. The factors that had contributed to the net result improvement were higher operating revenues (which included interest and commission income, result on financial instruments, and f/x result), as well as other operating revenues and expenses. Operating revenues at the Group's level rose by PLN 243.4 million, or 11.8%.

Dom Maklerski Banku Handlowego S.A. (DMBH, brokerage house), which focuses on large institutional Customers, was the leader in the stock exchange equity market, with a 19.9% share in turnovers on the Warsaw Stock Exchange. For the third consecutive year,

DMBH won the prize of the President of the Warsaw Stock Exchange (WSE) for the largest share in turnover in shares on the Warsaw Stock Exchange. In 2005, DMBH introduced into trading on the WSE the first instrument denominated in the U.S. dollar – bonds of Citibank, N.A., which are exchangeable for shares of Bank Handlowy w Warszawie SA, totaling USD 435.6 million. DMBH also served the PLN 456 million IPO of Opoczno S.A. (ceramic tiles). In addition, as of the end of 2005, DMBH was the market maker for 46 companies, i.e. 18.0% of all the stocks traded on the WSE as well as forwards based on the WIG20 index.

The year 2005 was very successful for our leasing companies: **Handlowy-Leasing SA** and **Citileasing Sp. z o.o.** Their net assets under lease amounted to PLN 315 million, i.e. were higher by 57% as compared with the previous year. At the same time total net assets under lease for the entire leasing sector rose by only 12%. In 2005, an integrated IT system was implemented, which should accelerate lease contract processing, increase the scope of management information and support long-term relationships with Customers. On January 10, 2006, we finalized the merger of Citileasing Sp. z o.o. and Handlowy-Leasing SA. The new company operates under the name Handlowy-Leasing Sp. z o.o.

As of the end of 2005, total assets under management entrusted to **Handlowy Zarządzanie Aktywami S.A.** (HanZa, asset management) totaled PLN 4,004 million, which means an increase by over 64% as compared with 2004. Assets under management of Towarzystwo Funduszy Inwestycyjnych Banku Handlowego S.A. (TFI Banku Handlowego, investment funds) more than doubled and reached PLN 2 billion (which gives one of the best growth rates in Poland's investment fund market). In addition to the growth in assets, investment funds also generated excellent returns on investing activity. More and more individual Customers selected CitiFunds Savings Plans – at the end of December 2005 they had nearly PLN 440 million in assets, which means an increase by 250% as compared with the previous year. The distribution of shares in foreign funds was launched (Citi Family of Funds, managed by Citigroup Asset Management). In 2005, the Bank decided to reorient its strategy towards HanZa and TFI Banku Handlowego and sell their shares, as the Bank now

wants to focus on distribution of asset management products. Both companies were sold on February 1, 2006.

In 2005, the Bank also decided to sell **Handlowy-Heller S.A.**, its factoring arm. The deal was finalized on February 2, 2006. Factoring services will be offered and developed within the structures of the Bank.

In 2006, our Group intends to reinforce the market position of its core companies, which provide brokerage and leasing services, as well as to ensure closer cooperation between them and the Bank. We assume that the market share of Handlowy-Leasing Sp. z o.o. will increase considerably, as it wants to be one of Top 10 leasing companies in Poland. We also plan to develop distribution of leasing products for the Customers of the Corporate & Investment Bank. The goals of DMBH for 2006 include to maintain its share in the segment of institutional Customers and to intensify efforts to attract individual Customers in a closer cooperation with our Consumer Bank. The Group's strategy assumes a reduction of exposure in other companies, which are to be sold. The Bank will remain one of the leading independent distributors of investment products in Poland's market. Its focus on distribution of asset management products should give the Bank's Customers access to the most diversified range of investment products.

I would like to thank profusely all the staff members of the Bank's Group for their efforts and contribution to reinforce our market position. In the name of the Bank's Management Board, I would also like to thank the Supervisory Board for wholehearted cooperation, and Customers and Shareholders for their trust in our institution.

Sławomir S. Sikora

President of the Management Board