

Warsaw, 16 March 2007

## FROM THE PRESIDENT

Ladies and Gentlemen,

I have the pleasure to present the annual report of Citibank Handlowy for 2006. It shows that the last year was a time of success for our Bank. We can proudly announce good financial results, improved satisfaction level of both our Customers and staff, and a broad range of corporate social responsibility activities initiated during that year.

Our net income rose for the fifth time since the merger. In 2006, our net income amounted to PLN 620.4 million and exceed the prior year level by PLN 31.1 million (or 5.3 per cent). Intensive restructuring efforts started in previous years to improve the profitability of our institution produced desirable effects. In 2006, the Bank cut both operating and overhead expenses, as well as depreciation & amortization costs, in total by PLN 27.3 (or 1.8 per cent) as compared to 2005. On the other hand, we were able to increase our personnel-related spending. We raised salaries, extended employee incentive schemes and created many new jobs in the fast growing CitiFinancial network.

The last year was very fruitful for our investors. Our shares rose by 30 per cent. The turning point was a gradual increase in the volume of shares in free trade during 4Q 2006. At year-end, nearly 25 per cent of our shares were traded openly in the capital market. As a result the stock exchange turnover in our shares increased considerably.

In 2006, the Bank significantly extended its **lending operations** in the segment of individual customers (by PLN 904.8 million, or 33.2 per cent). It was an outcome of both the rapid expansion of the point-of-sale network operating under the CitiFinancial brand and an augmentation of the target market of individual customers coupled with a reduction of minimum income required to take a loan.

The year 2006 also confirmed our leading position in the **prepaid cards** segment. During the year, we issued 226,000 prepaid cards, i.e. 48 per cent more than in 2005. Our Benefit and Scholarship Cards won a prestigious award of *The Banker* magazine in the *Investment Banking Projects* category. Our product was also honored with the second prize for the most innovative product of 2005 in the European corporate sector, granted by the European Payments Consulting Association (EPCA) and the European Card Review (ECR).

In 2006, Citibank Handlowy was one of the leaders of the **foreign exchange market**. Turnover in the non-banking customer sector rose by 27 per cent as compared to the previous year. In addition, our Treasury customers appraised very highly our e-banking platform supporting trade in Treasury products. We will certainly continue the development strategy for this tool.

In 2006, our Bank confirmed again that it is a **corporate banking** leader in Poland. In the middle of the year, we launched a new customized coverage model to improve the productivity of our offer for small and medium-sized enterprises. This project and a few successful acquisition campaigns attracted nearly 1,000 new customers to our Bank in that segment.

In the **consumer banking** segment we had many successful debuts. In August we established a new distribution channel – small branches offering credit cards – the so-called stands. Stands are located in shopping centers and BP gasoline stations. At the end of the year we also launched a CitiOne Direct, an online account for people who want to freely manage their accounts contacting the Bank mainly via the Internet or over the phone. In November we expanded our product offer with a Home Equity Loan, which is a loan secured against property. To give our customers better and easier access to our products in 2006 the Bank opened 38 new branches and 12 authorized points of sale. As at the end of 2006 CitiFinancial distribution network consisted of 99 branches and 12 authorized points of sale.

The past year was extremely important for the Bank's corporate social responsibility initiatives brought to life via the Leopold Kronenberg Foundation operating at Citibank Handlowy. For over 10 years the Foundation has inspired us to great things by supporting programs promoting the public good in the area of financial education and promotion of entrepreneurship – especially those addressed to young people, strongly believing, that it is them who will shape our future and the future of our country. The Kronenberg Foundation also supports local development initiatives by offering grants to foundations and associations operating in the area of healthcare, social policy and entrepreneurship teaching, as well as in the area of culture, and especially cultural heritage. In recognition for its commitment to corporate social responsibility Citibank Handlowy, for the second consecutive year, was awarded the main prize in the Colors of Volunteering Competition in the Employee Volunteering Category.

The main objective of Citibank Handlowy in 2007 will be to create increasing value for our shareholders by ensuring an appropriate return on equity and to increase our market share in the key market segments. This year will be a breakthrough year for the Bank due to the implementation of the "Single Bank" strategy. We want to make better use of our potential in retail and corporate banking segments and to strengthen synergy effects both in the area of products and common distribution network. Our corporate customers increasingly often play different roles. At any given moment they could be making choices as managers, individual consumers and owners. Our approach is a response to their needs. In 2007 the Bank plans to roll out the "Customer First" Program and in this way to improve customer satisfaction. We also plan to further increase sales of the Bank's key products both on the assets and liabilities sides, introduce a mortgage loan (including a loan for the purchase of a house/ flat under construction), the first mortgage account in the Polish market and a savings account as well as a new debit card. I believe that the Bank's plans, in combination with favorable economic conditions, will strengthen our position in the financial services market.

While handing over this report to you, I would like to thank our staff for their commitment and contribution to strengthen our market position. On behalf of the Management Board, I also want to thank the Supervisory Board for fruitful cooperation in the previous year, and our Customers and Shareholders for the trust they placed in us.

Sławomir S. Sikora  
President of the Management Board