Bank Handlowy w Warszawie S.A.

December 2006
Agenda

- Strategy and business highlights
  - Distribution channels
  - Corporate and Investment Bank
  - Consumer Bank
- Financial snapshot after 3Q 2006
Strategy and business highlights
History of Citibank Handlowy

- **1870** – Bank Handlowy w Warszawie established as a privately-owned joint stock company by a group of investors formed by Leopold Kronenberg
- **1918-1939** – Bank Handlowy develops into the largest privately-owned bank in Poland
- **1939-1945** – the Bank continues its operations despite WW2
- **1946-1966** – the State Treasury gradually increases its ownership of the Bank to 100%
- **1963** – the Bank entrusted with an official monopoly on servicing Poland’s foreign trade
- **1989** – the Bank diversifies its business towards corporate lending and investment banking

- **1991** – Citibank enters the Polish market
- **1997** – reprivatisation and listing of Bank Handlowy w Warszawie on the WSE
- **2000** – Citigroup acquires 85% stake in Bank Handlowy
- **2001** – Bank Handlowy w Warszawie merges with Citibank (Poland); Citigroup’s stake in Bank Handlowy increases to 89%
- **2003** – Legal name: Bank Handlowy w Warszawie SA, Citibank Handlowy - single brand
From past to present

**BANK HANDLOWY W WARSZAWIE SA**

- 6% (TOP 4 bank)
- PLN 21.5 billion
- 14,000
- 240,000
- 156
- 4,700
- Revenue Market Share 3% (TOP 12 bank)
- Assets PLN 9.6 billion
- Corporate Customers 2,000
- Consumer Customers 45,000
- Outlets 8
- Employees 800

**Merger in March 2001**

- GTS
- Commercial Bank
- Wealth Management
- CitiFinancial
- Retail Banking
- CIB
- GCG

Bank Handlowy w Warszawie SA
Distribution channels
Tailored branch network

Branch network currently – 230 branches

- 39 Corporate
- 13 Joint branches
- 85 Retail
- 22 Retail Servicing
- 106 CitiFinancial

Out of 85:
- 72 Multifunctional
- 12 CitiGold
- 1 Investment Center

Branches that service CitiBusiness clients

Branch network in 2007 – 314 branches

- 127 branches servicing both individual and corporate customers
- 187 CitiFinancial branches

OVER 50% INCREASE IN THE NUMBER OF BRANCHES SERVICING INDIVIDUAL CUSTOMERS!
Citiservice

- Specialised Citiservice team to handle corporate clients’ queries and investigations over the phone
- High standards of service: 99.48% customer calls are answered within 10 seconds
- Exceeding expectations by offering transaction banking products based on client knowledge and daily relationship
- Personalised and tailored service for platinum and global clients
- User-friendly Interactive Voice Response option for instant information and service

Investigations resolved untimely

Calls abandoned & calls answered after 10 sec.
CitiPhone

- High standards in waiting time, waiting time for 80% phone calls - below 20 seconds
- Each day every tenth customer signs up for a new service or product
- Toll free CitiPhone number for customers calling from abroad
- Under CitiPhone – integration of electronic and phone channels

**Number of products and services purchased via CitiPhone**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Purchases</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>100,000</td>
</tr>
<tr>
<td>2005</td>
<td>200,000</td>
</tr>
<tr>
<td>2006</td>
<td>300,000</td>
</tr>
<tr>
<td>2007</td>
<td>400,000</td>
</tr>
</tbody>
</table>
Strategy – closer to the Client

- Alternative channels
- Innovative access channels – BP gas stations, malls
- Outlets in companies – mini-branches
- 2007
  - 100 BP gas stations
  - 10 malls
  - 20 Mini-branches
Corporate and Investment Bank
## CIB business model

### Strong product coverage in all segments

<table>
<thead>
<tr>
<th>Segment</th>
<th>Criteria Turnover ($ MM)</th>
<th>Product focus</th>
<th>Market share</th>
<th>Product focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Platinum</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>&gt;250</td>
<td>Tailored / sophisticated products</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Middle Market</td>
<td>GOLD 50-250</td>
<td>Tailored</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SILVER 25-50</td>
<td>Hybrid</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td>SME</td>
<td>BLUE 2-25</td>
<td>Standard-off the shelf</td>
<td>9%</td>
<td></td>
</tr>
</tbody>
</table>

### Revenue structure

Citibank Handlowy #1 on the corporate market with 9% market share – first or second position in 5 out of 7 categories
Platinum
The best Corporate Bank in Poland

Market position

High penetration and 90% satisfaction
Greenwich survey Q1 2006

Tailwinds
- Strong economic growth (GDP, export, foreign investments)
- GRB investments
- Regional expansion of some TTLC
- EU membership (structural funds spending)
- Experienced bankers and working London link

Strategy
- GRB – grow with increased flows and investments protecting our high share of wallet
- TTLC penetration - influence, structure and support TTLC clients’ long-term strategy
- PSG – capture postponed investment in infrastructure
- FI – lead the development of structured products
Platinum – key deals closed in 2006

Deals closed

- **ComputerLand**
  - MTN program
  - PLN 100 mn
  - MLA
  - 2006

- **& tp**
  - Revenue bonds
  - II Tranche
  - PLN 400 mn
  - MLA
  - 2006

- **BoT**
  - Syndicated loan
  - EUR 604 mn
  - MLA
  - 2006

- **Fortum**
  - Acquisition of a listed company
  - USD 200 mn
  - MLA
  - 2006

- **European Investment Bank**
  - Bonds program
  - & Swap
  - USD 250 mn
  - MLA
  - 2006

- **ComputerLand**
  - Acquisition of EMAX
  - PLN 480 mn
  - MLA
  - 2006

- **Acquisition of EMAX**
  - Major M&A transaction
  - 2006
CBG
The engine of growth

Revenue structure by sub-segment*

<table>
<thead>
<tr>
<th>Sub-segment</th>
<th>Market share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold</td>
<td>33%</td>
</tr>
<tr>
<td>Silver</td>
<td>9%</td>
</tr>
<tr>
<td>Blue**</td>
<td>58%</td>
</tr>
<tr>
<td>Platinum</td>
<td>6.9%</td>
</tr>
<tr>
<td>Silver</td>
<td>8.7%</td>
</tr>
<tr>
<td>Gold</td>
<td>9.4%</td>
</tr>
</tbody>
</table>

* 2006 September YTD
** Including Public Sector Clients

Strategy initiatives

- Revenue growth supported by a number of initiatives
  - Sales & Trading
  - Leasing
  - Trade

- Assets build-up
  - New Credit Program Implementation – Collateral treatment, Tenors, Sole Bank – solutions that help u return to the Market
  - Further TM expansion

- Customer Satisfaction
  - Customized product offer for customers
  - Faster Credit Approval Process
  - Lower portfolio loading as a result of new sales model implementation

- Search for efficiency
  - Business Sales Model redesigned
  - Product Offer improvements – In GTS area
  - New Senior Officer fully dedicated to most sophisticated credit products ex. Corporate Finance
GTS Segment
The best in class for GRB customers

Revenue structure by sub-segment*

- Market share
- FI 41%
- GRB 59%

* 2006 July YTD

Driven by quality and innovation

Strategy

- Revenue growth
  - Operating account strategy (multiproduct & volume x-sell)
  - Client acquisition/wallet penetration within relationship groups
  - Regional leverage for green field investments / capturing of new clients & product development

- Search for efficiency
  - Decrease the average sales time by 15%
  - All goals to be achieved with the same HC level maintained

- Customer satisfaction
  - Providing top-class banking service for client coverage by relationship team (both local & international)
Treasury

Customer business

- Customer Acquisition and attrition management
- Conversion of active customers and new customer acquisition through on-line trading platform
- Platform capacity; Call Manager (IVR) implementation to manage >10,000 customers

Revenue structure after 3Q 2006

- Gain/loss on AFS sale 12%
- Trading 16%
- Customer 72%

Trading

- Maintain leading position in flow business:
  - Bond Market Making (market making desk for Citigroup)
  - IR Derivatives Market Making
  - Foreign Exchange Market Making

Risk Treasury

- Long-term Euro zone convergence
- Significant increase in risk taking due to lower nominal yields
- Management of excess liquidity and improve yield on placements

<table>
<thead>
<tr>
<th>Professional market products</th>
<th>Market share*</th>
<th>Market position*</th>
</tr>
</thead>
<tbody>
<tr>
<td>FX</td>
<td>15-20%</td>
<td>1</td>
</tr>
<tr>
<td>Debt</td>
<td>10-15%</td>
<td>3</td>
</tr>
<tr>
<td>Derivatives</td>
<td>25%</td>
<td>1</td>
</tr>
</tbody>
</table>

*estimates
Consumer Bank
Consumer Bank – segments

Customer Segment

- **High income**
  - Segment A: CitiGold Wealth Management, credit cards

- **Medium income**
  - Segment B: Accounts, credit cards, credit products, investment and insurance products

- **Low income**
  - Segment C1: CitiBusiness
  - Segment C2: CitiFinancial

- **Very low income**
  - Segment C3/D: Credit products, insurance products

Product offer
Consumer Bank – market position

2006

Wealth Management

- 83%
- 17%

2006

The Bank’s share in revenue of retail banking segment in Poland (Q2, 2006)

- 95.7%
- 4.3%

2006

Value of credit card transactions

- 73%
- 27%

2006

Distribution of foreign mutual funds

- 40%
- 60%

2006

Internet users

- 92%
- 8%

Legend:
- Red: Citibank Handlowy
- Blue: Other banks
Credit cards

Number of cards issued

- 88% (Citibank Handlowy)
- 12% (Other banks)

Number of transactions

- 75% (Citibank Handlowy)
- 25% (Other banks)

Transaction value

- 73% (Citibank Handlowy)
- 27% (Other banks)

* NBP data for 2Q 2006

- 637 thousand credit cards issued as at Sept 30, 2006
- Differentiated offer!
- Safest cards!
- The biggest discount program – 2400 points of sale!
Strategy – cards - even more innovations

- Cash loan on a credit card over the phone – unique functionality in the market
- Record interest in the product
- How does it work?
  - Increasing the credit card limit on the basis on an individual credit decision
  - Money available within 24 hours
  - Transfer of money to a personal account of the customer’s choice
  - Repayment under the “Komfort” Installment Plan

- Expansion of the target market to include:
  - CitiFinancial customers
  - students
  - the youth
- New co-branded cards
- The first in Poland car concierge for Individual customers

Product portfolio (in PLN million)

PLN 123 MM and 19 thousand of clients

Number of clients
Product portfolio

Mar-06 Oct-06
Investment and Insurance products

- Mutual Fund assets acquired through the Bank: 24% in 3Q05 to 81% in 3Q06.
- Single Premium Unit Linked: 81% in 3Q05 to 57% in 3Q06.

Client choice in the best Polish and foreign mutual funds:
- Best return investment funds
- Coherent investment management
- Highly qualified and transparent governance
- Compliance with Citigroup standards
Strategy – account

- Mortgage loans and savings accounts
- Online transfers free of charge
- Account opening via the Internet – e-account
- Multifunctional, transparent debit card (possibility to perform non-cash transactions via the Internet)

<table>
<thead>
<tr>
<th>Year</th>
<th>Transactions via Internet</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>80%</td>
<td>20%</td>
</tr>
<tr>
<td>2007</td>
<td>85%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Number of e-statement users increased by 60% (vs. Q3, 2005)
Strategy – Clients – CitiFinancial

- Mortgage loan
- Credit card for CitiFinancial customers
- About 60% increase in the number of branches by the end of 2007

![Number of CitiFinancial branches chart]

Customer-friendly education program – „Droga do dobrego kredytu”
[The Road to Good Credit]
3Q 2006 Financials snapshot
Almost 80% of the previous year profit achieved after 3Q 2006

Source: Bank’s Financial Disclosures
Cumulative 3Q 2006 results

<table>
<thead>
<tr>
<th>PLN MM</th>
<th>3Q 06</th>
<th>3Q 05</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>771.9</td>
<td>769.1</td>
<td>2.8</td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td>447.2</td>
<td>439.2</td>
<td>8.0</td>
</tr>
<tr>
<td>Dividend income</td>
<td>3.7</td>
<td>2.1</td>
<td>1.6</td>
</tr>
<tr>
<td>Treasury</td>
<td>286.3</td>
<td>481.1</td>
<td>(194.8)</td>
</tr>
<tr>
<td>Other operating revenue</td>
<td>61.1</td>
<td>53.5</td>
<td>7.6</td>
</tr>
<tr>
<td><strong>Recurring income</strong></td>
<td><strong>1,570.1</strong></td>
<td><strong>1,745.0</strong></td>
<td><strong>(174.9)</strong></td>
</tr>
<tr>
<td>Expenses and depreciation</td>
<td>(1,114.1)</td>
<td>(1,144.5)</td>
<td>(30.4)</td>
</tr>
<tr>
<td>Income on fixed assets sale</td>
<td>117.2</td>
<td>0.1</td>
<td>117.1</td>
</tr>
<tr>
<td>Movements in provisions</td>
<td>47.6</td>
<td>39.3</td>
<td>8.3</td>
</tr>
<tr>
<td>Share in subs' profits</td>
<td>4.1</td>
<td>-7.8</td>
<td>11.9</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td><strong>625.0</strong></td>
<td><strong>632.2</strong></td>
<td><strong>(7.1)</strong></td>
</tr>
<tr>
<td>Corporate tax</td>
<td>(140.1)</td>
<td>(135.3)</td>
<td>4.8</td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
<td><strong>484.9</strong></td>
<td><strong>496.9</strong></td>
<td><strong>(12.0)</strong></td>
</tr>
</tbody>
</table>

Source: Bank’s Financial Disclosures, data in MM PLN
<table>
<thead>
<tr>
<th>Ratio</th>
<th>3Q 2006</th>
<th>3Q 2005</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income, MM PLN</td>
<td>1,570</td>
<td>1,745</td>
<td>(10.0%)</td>
</tr>
<tr>
<td>Gross income, MM PLN</td>
<td>625</td>
<td>632</td>
<td>(1.1%)</td>
</tr>
<tr>
<td>Net income, MM PLN</td>
<td>485</td>
<td>497</td>
<td>(2.4%)</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>11.2%</td>
<td>10.1%</td>
<td></td>
</tr>
<tr>
<td>Return on Assets</td>
<td>1.8%</td>
<td>1.8%</td>
<td></td>
</tr>
<tr>
<td>Cost / Income</td>
<td>66.5%</td>
<td>66.5%</td>
<td></td>
</tr>
<tr>
<td>Capital Adequacy Ratio</td>
<td>15.1%</td>
<td>14.6%*</td>
<td></td>
</tr>
</tbody>
</table>

* as at Dec 31, 2005

Source: Bank’s Financial Disclosures
Balance Sheet structure

**Assets**
- Loans – non-financial: 32,9 (10%)
- Loans - financial: 9.6 (7%) 6.5 (11%) 7.2 (69%) 5.9 (22%) 3.7
- Available for sale: 5.9 (22%)
- Trading portfolio: 7.2 (69%) 12.2
- Other assets: 3.7 (22%) 3.5

**Liabilities**
- Liabilities in trading portfolio: 32,9 (18%)
- Deposits – non-financial: 17.3 (46%) 7.6
- Deposits - financial: 5.2 17.9
- Other Liabilities: 1.7 2.9
- Shareholders’ capital: 5.3 5.2

- Increase of non-financial loans due to retail loans increase
- Significant increase of Available For Sale portfolio as a results of execution of long-term strategy of balance sheet interest rate risk management
- Increase in both non-financial and financial deposits

Source: Bank’s Financial Disclosures, data in MMM PLN
Loans

Non-financial sector loans

31.12.2005

26% & 74%

30.09.2006

31% & 69%

Corporate clients loans

31.12.05  30.09.06

Corporate clients

Retails loans

31.12.05  30.09.06

Retails loans

Source: Estimates, pro-forma data
Deposits

Non-financial sectors deposits

31.12.2005
27%
73%

30.09.2006
25%
75%

Non-Financial Corporate deposits

Individuals’ deposits

Source: Estimates, pro-forma data
Expenses under control

- Corporate segment costs under control, decrease of technology and telecommunication costs
- Positive effects of restructuring actions in retail, even better visible with 12% decrease 3Q06/3Q05
- Further branch network expansion in CitiFinancial

Source: Bank’s Financial Disclosures, data in MM PLN
Cost of Credit

Loans portfolio quality

Impairment split as at 30 Sept 2006

- Decrease of loans at risk of impairment

Not at risk loans
At risk of impairment
Provisions

Source: Bank’s Financial Disclosures, data pro-forma
## Cumulative 3Q 2006 results

### Corporate and Investment Bank

<table>
<thead>
<tr>
<th>MM PLN</th>
<th>I/(D)</th>
<th>I/(D)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3Q06</td>
<td>3Q05</td>
</tr>
<tr>
<td>Results on activity</td>
<td>887</td>
<td>1,110</td>
</tr>
<tr>
<td>One-off events</td>
<td>105</td>
<td>-</td>
</tr>
<tr>
<td>Expenses and depreciation</td>
<td>(570)</td>
<td>(608)</td>
</tr>
<tr>
<td>Provisions</td>
<td>73</td>
<td>68</td>
</tr>
<tr>
<td>Gross profit</td>
<td>495</td>
<td>570</td>
</tr>
<tr>
<td>Assets</td>
<td>32,768</td>
<td>28,750</td>
</tr>
<tr>
<td>Liabilities</td>
<td>29,900</td>
<td>25,216</td>
</tr>
</tbody>
</table>

### Notes
- Fee income increase on cash products and custody business along with lack of sold HanZa / TFI commissions (PLN 35 MM in cumulative 3Q 2005) and worse result on brokerage operations;
- Result on Treasury caused by lower revenues from AFS sell-off due to unfavourable market conditions. Additionally, lower revenues on trading portfolio

**Source:** Bank’s Financial Disclosures, data in MM PLN
## Cumulative 3Q 2006 results

### Consumer Bank

<table>
<thead>
<tr>
<th>MM PLN</th>
<th>3Q06</th>
<th>3Q05</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Results on activity</td>
<td>547</td>
<td>546</td>
<td>1%</td>
</tr>
<tr>
<td>One-off events</td>
<td>20</td>
<td>-</td>
<td>20%</td>
</tr>
<tr>
<td>Expenses and depreciation</td>
<td>(445)</td>
<td>(467)</td>
<td>(22%)</td>
</tr>
<tr>
<td>Provisions</td>
<td>-</td>
<td>(16)</td>
<td>16%</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>122</td>
<td>64</td>
<td>59%</td>
</tr>
<tr>
<td>Assets</td>
<td>2,765</td>
<td>2,289</td>
<td>476</td>
</tr>
<tr>
<td>Liabilities</td>
<td>6,194</td>
<td>6,230</td>
<td>(36)</td>
</tr>
</tbody>
</table>

### Notes:
- Increase of interst result in 3Q 06 vs 2Q 06 due to assets volume growth
- Increase in fee revenue on investment and insurance products
- Positive results of restructuring actions, even better visible with 12% decrease 3Q06/3Q05

Source: Bank’s Financial Disclosures, data in MM PLN
Cumulative 3Q 2006 results

### CitiFinancial

<table>
<thead>
<tr>
<th>MM PLN</th>
<th>3Q06</th>
<th>3Q05</th>
<th>I(D)</th>
<th>I (D)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Results on activity</td>
<td>132</td>
<td>81</td>
<td>51</td>
<td></td>
<td>63%</td>
</tr>
<tr>
<td>Expenses and depreciation</td>
<td>(99)</td>
<td>(69)</td>
<td>30</td>
<td></td>
<td>43%</td>
</tr>
<tr>
<td>Provisions</td>
<td>(25)</td>
<td>(13)</td>
<td>(12)</td>
<td></td>
<td>95%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>8</td>
<td>(1)</td>
<td>9</td>
<td>n.m.</td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td>826</td>
<td>529</td>
<td>297</td>
<td></td>
<td>56%</td>
</tr>
<tr>
<td>Liabilities</td>
<td>265</td>
<td>122</td>
<td>143</td>
<td></td>
<td>118%</td>
</tr>
</tbody>
</table>

**Significant increase of cash loans receivables**

- **57% interest result increase** and **158% fee results increase** due to significantly larger portfolio
- **Further expansion of outlets’ network** – 9 branches and 2 points of sale in 3Q 06

**Source:** Bank’s Financial Disclosures, data in MM PLN
Share price / market ratios

Market ratios

Market capitalization:
PLN 10.3 bn ($3.6 bn)
P/E 17.03 (banking sector average: 21.6)
P/BV 2.02 (banking sector average: 3.8)
Shareholders structure changes

Current shareholders structure

- 10.2 pp higher free-float as compared to the end of 2Q 06
- 12.7 pp out of 14.33% BHW shares available for exchange has been converted

Current total free float: $ 835 MM

As at 8 Dec, 2006

Shareholders changes

- 2004: Citibank N.A. issued $ 437 MM notes exchangeable to Citibank Handlowy shares, shares transfer to IFA, (voting right limited to 75%)

- 2006: Notes were exchanged till December 1 (on Dec 7 notes were redeemed)

Total potential free float at the year end: $ 890 MM
Investor Relations

Sławomir Sikora
President of the Management Board

Lidia Jabłonowska-Luba
Management Board Member, CFO

Katarzyna Otko-Dąbrowska
Investor Relations

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