



Bank Handlowy w Warszawie S.A.

Consolidated financial results
for 1Q'23

May 11th, 2023

www.citihandlowy.pl
Bank Handlowy w Warszawie S.A.

citi handlowy®

1Q'23 | Financial results summary

Strong start to the year in terms of net profit dynamics



Financial results

Revenue
PLN 1.2 B

Net profit
PLN 604 MM

ROE
27.8%



Balance sheet YoY dynamics

Loans
(2%)

Deposits
+14%



Total capital ratio

TCR
17.9%



Institutional Banking

- **Revenue:** increase by 28% QoQ thanks to client activity in lending area and as well as treasury result
- **Loans:** increase by 7% QoQ, the largest increase in assets observed among Global Clients +13% QoQ
- Return of activity on the **debt securities primary market**
- **Customer FX:** slight decrease of volumes by 5% QoQ
- **Transactional banking:** growing transactional volumes in the area of payment services



Consumer Banking

- **Revenue:** a slight decrease by 1% QoQ due to a decrease in the net commission income together with a flat net interest income
- **Private Banking:** continuation of the trend observed for four quarters in a row - an increase in the number of Citigold Private Client clients by 3% QoQ. Rebound in the investment products segment – AuM increase by 5% QoQ
- **Awards:** prestigious Euromoney 2023 award for Citi Handlowy private banking – Best for Digital
- **Deposits:** continued increase in deposits by 3% QoQ, the number of Citikonto current accounts grew by 10% QoQ

Business activity

Key achievements | Citi Handlowy

Capital markets

Issue of new shares for CCC

PLN 505 MM



Global Coordinators

Debt securities

European Investment Bank

PLN 1,290 MM

Lead Manager of issue of bonds related to implementation of sustainable development goals



Debt securities

Bank Gospodarstwa Krajowego

400 mln euro

Dealer of Eurobonds issue to be injected in the Anti-Covid-19 Fund and Ukraine Assistance Fund



Award



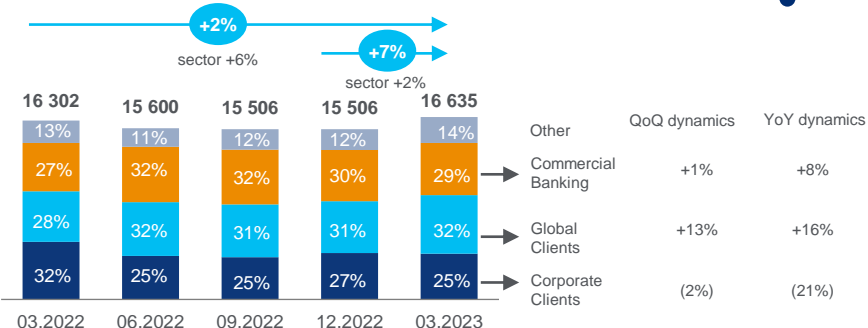
30th anniversary of Citi Handlowy Private Banking in Poland

Institutional Banking | Business volumes

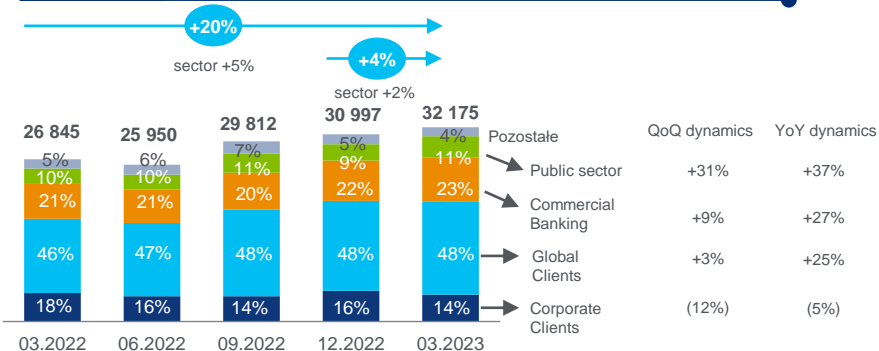
Long-term loans return observed



Loan Volumes (PLN MM)

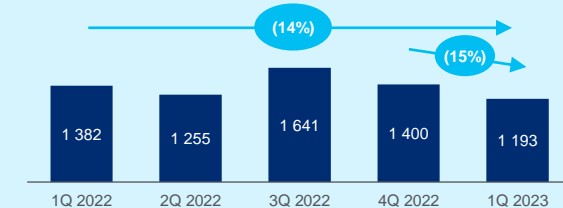


Deposit volumes (PLN MM)



1Q'23 transaction volumes

1. New institutional loans (PLN MM)*



* New financing granted or increase in current financing volume

2. FX volume



3. Transaction Banking

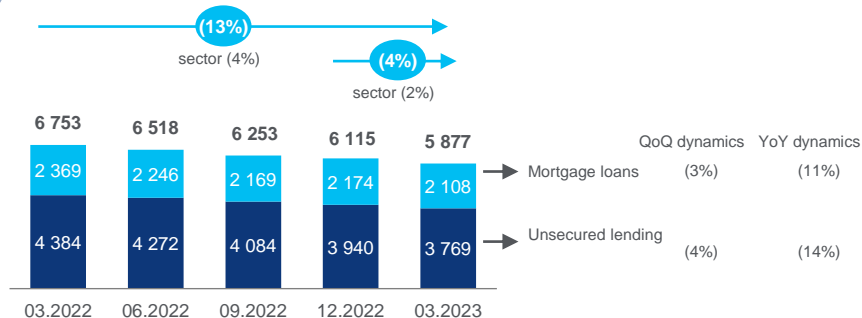


Consumer Banking | Business volumes

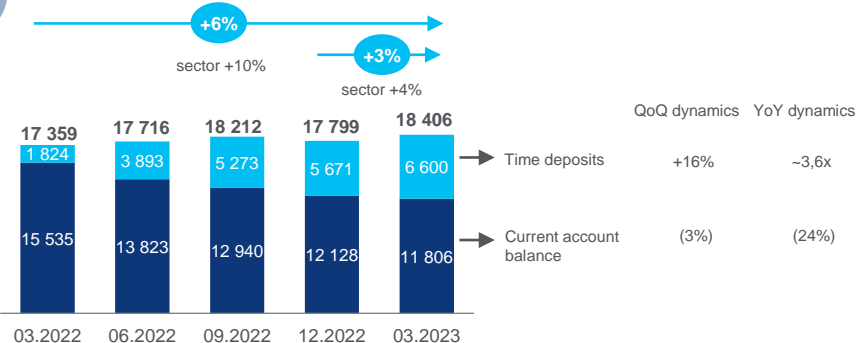
Record high number of the most affluent clients - Citigold Private Client



Loan volumes (PLN MM)



Deposit volumes (PLN MM)



1Q'23 transaction volumes

1. FX volumes – affected by a high base of 1Q 2022



-47% YoY
FX turnover volume

- 54% of FX volume is processed via CitiKantor
- +14% YoY increase in number of transactions processed via CitiKantor
- A record high number of unique clients using CitiKantor in March 2023.

2. Citigold Private Client

+5% YoY

Average level of Total Relationship Balance

AuM volume rebound



+13% YoY

Number of Citigold Private Clients

3. Cards

+18% YoY

Card transaction value (domestic transactions)

+42% r./r.

Card transactions value (transborder transactions)

Social commitment

1Q 2023 | Corporate Social Responsibility



Programs run by Citi Handlowy Foundation

Support for Ukraine:

- *WELCOME! Witamy!* program finale - together with Mamo Pracuj Foundation
- The program aim: to help Polish and Ukrainian women in coming back to job market
- More than 300 participants, 4 cities – Warsaw, Olsztyn, Cracow, Wrocław

Support for migrants:

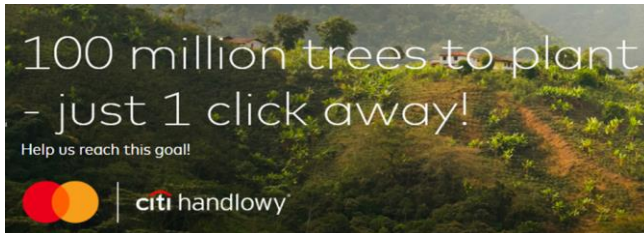
- 140 social and business projects in the Ashoka program

Priceless Planet Coalition – united efforts for the planet

- Mastercard initiative – planting 100 millions of trees till 2025
- Citi Handlowy – the first bank in Poland that has enables donating money

Cultural heritage:

- Lwowska Galeria Sztuki - a laureate of the 24. edition of the prof. Aleksander Gieysztor award

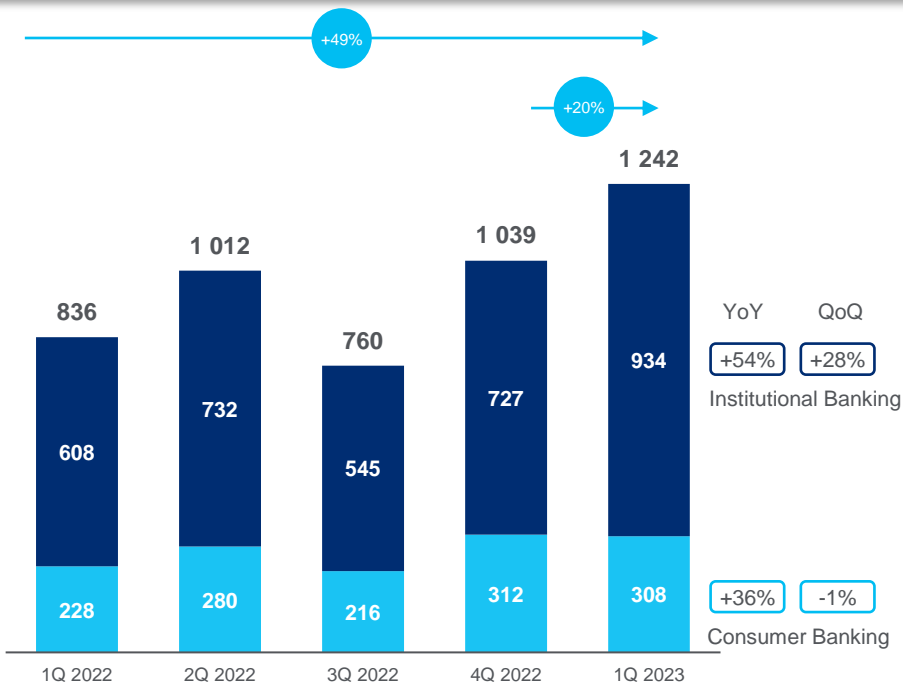


Consolidated financial results

Total revenue

Revenue – segment split (PLN MM)

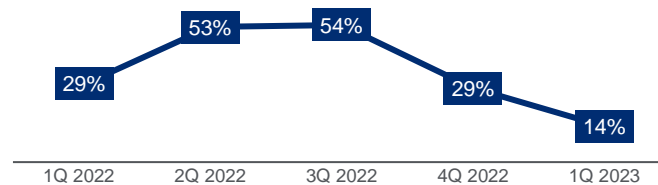
Revenue improvement in high interest rates environment



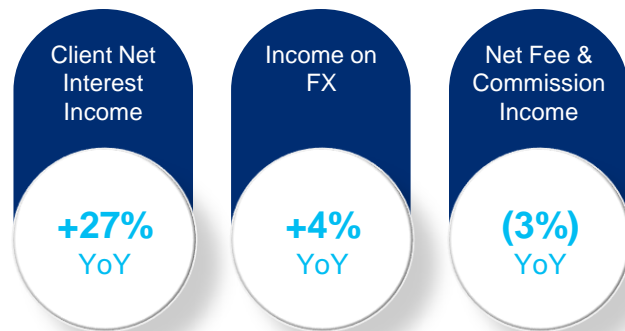
Revenue – Institutional Banking

Continued client income growth trend

Client revenue – dynamics YoY*



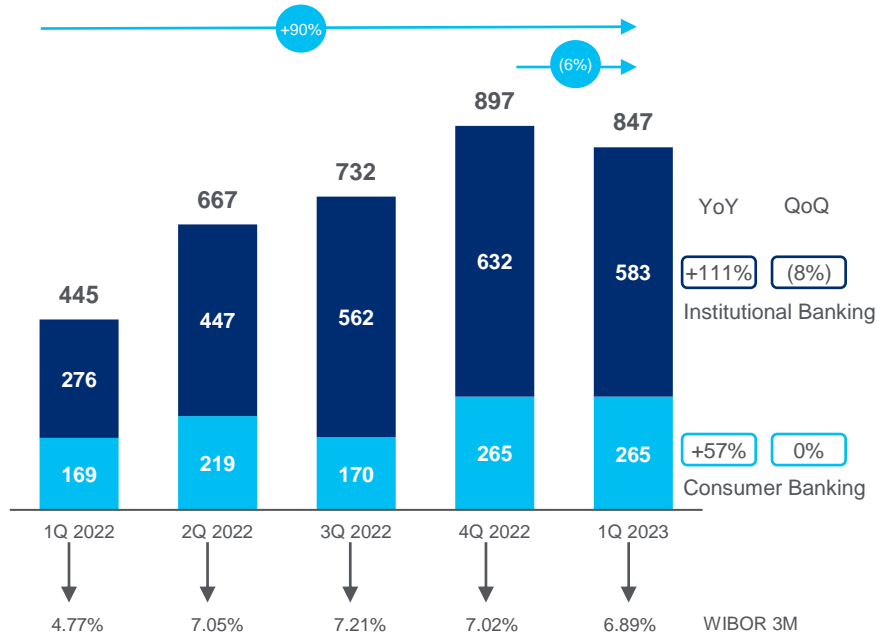
* Client revenue: managerial client net interest income, net fee and commission income, income on FX



Net Interest Income

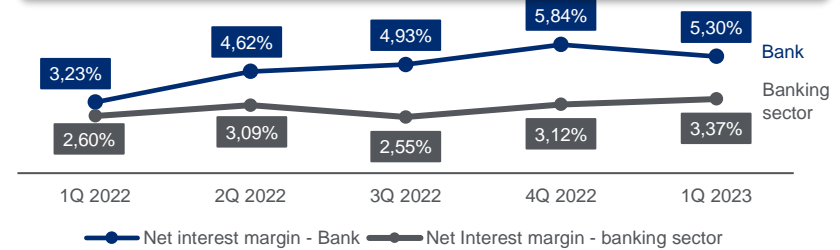
Net interest income – segment split (MM PLN)

Impact of dropping market rates on net interest income in quaterly view



Net interest margin – comparison with the sector

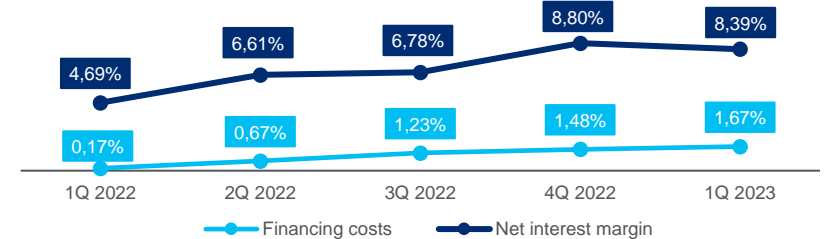
Higher NIM in the Bank comparing to the sector



- 1) Net interest margin: Net interest income times 4 / average assets from last 2 quarters
- 2) Banking sector data for 1Q'23 comprises of data for January and February only

Net interest margin - client

Observed increase of interest expenses

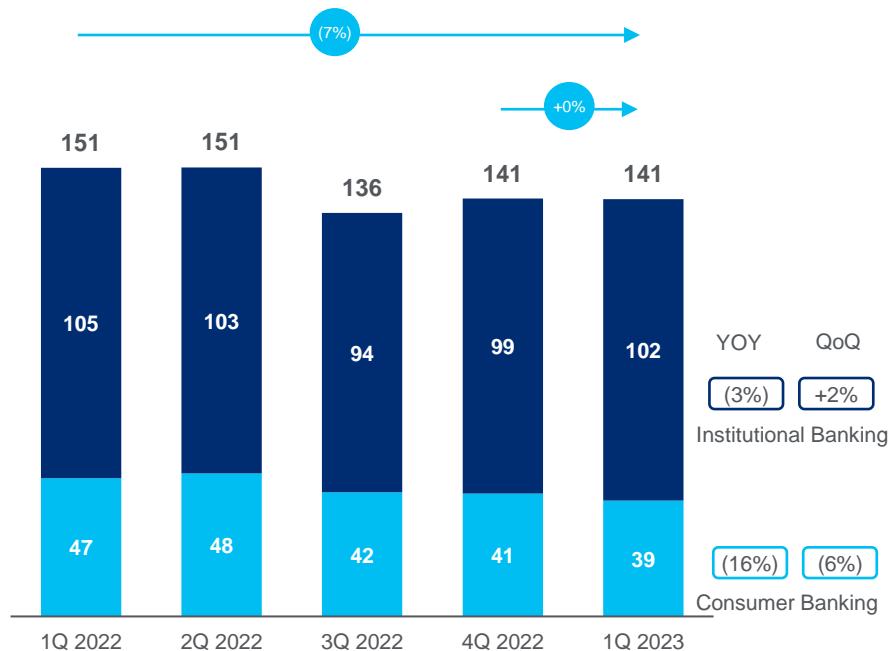


For presentation purposes the financing costs were presented with a positive sign

Net fee & commission income

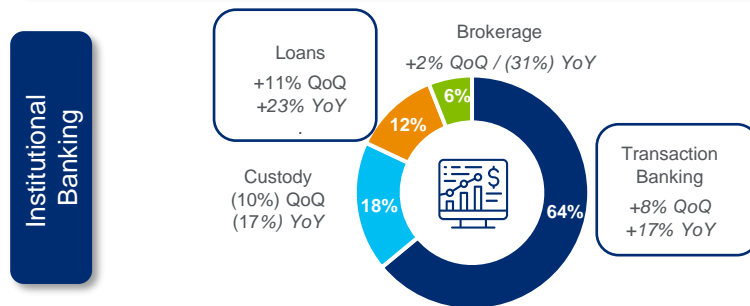
NF&CI – segment split (PLN MM)

Decent result in Transactional Banking area due to growing volumes in trade financing

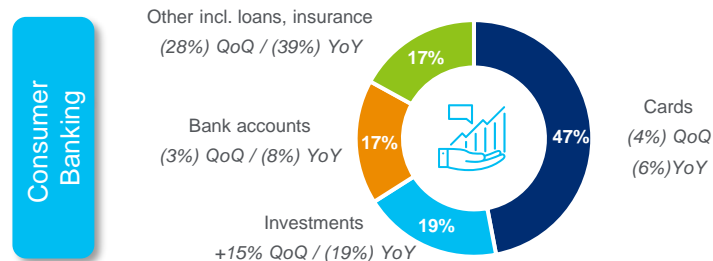


NF&CI structure and dynamics

Strong volumes in Transactional Banking



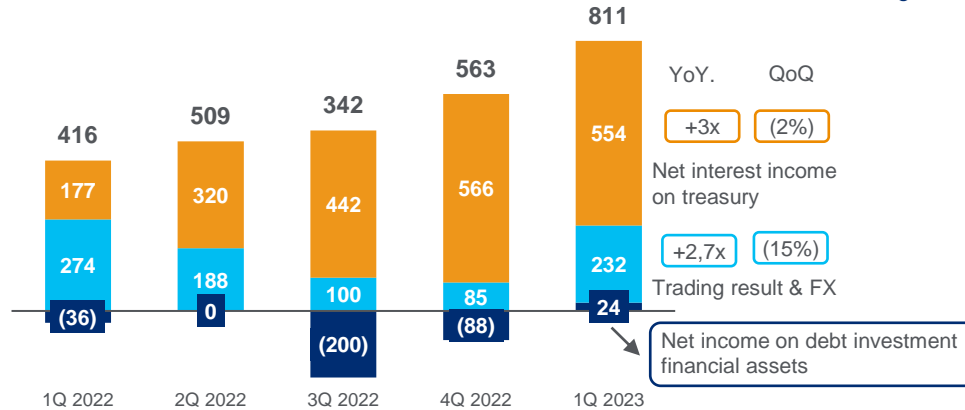
Improving sentiment of individual investors towards capital markets



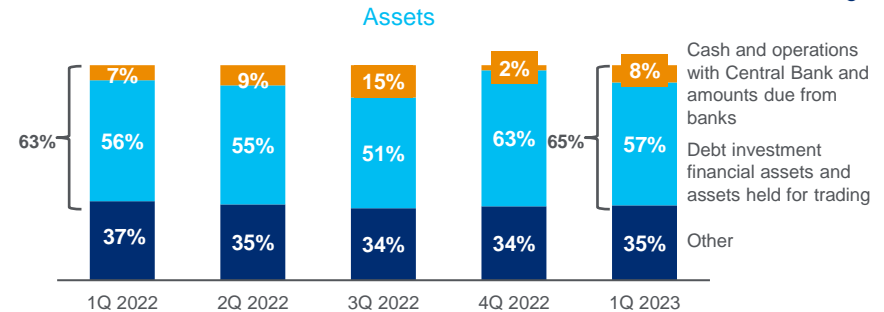
Treasury

Increased income from treasury activities, driven by the strong appreciation of the polish zloty

Treasury result (PLN MM)

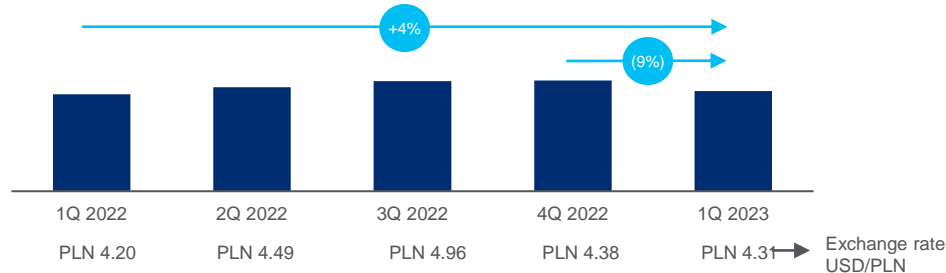


Balance sheet structure

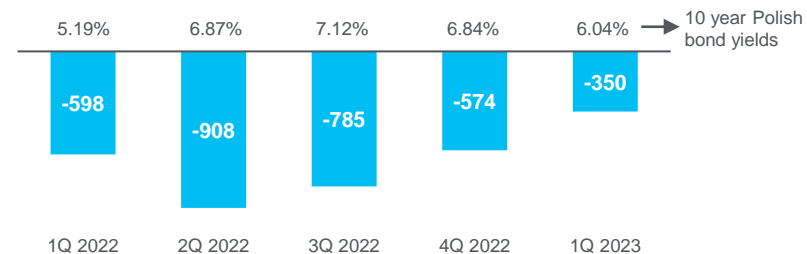


Lower negative impact of debt investment financial assets valuation on equity

Income on FX – client activity (Institutional Banking)



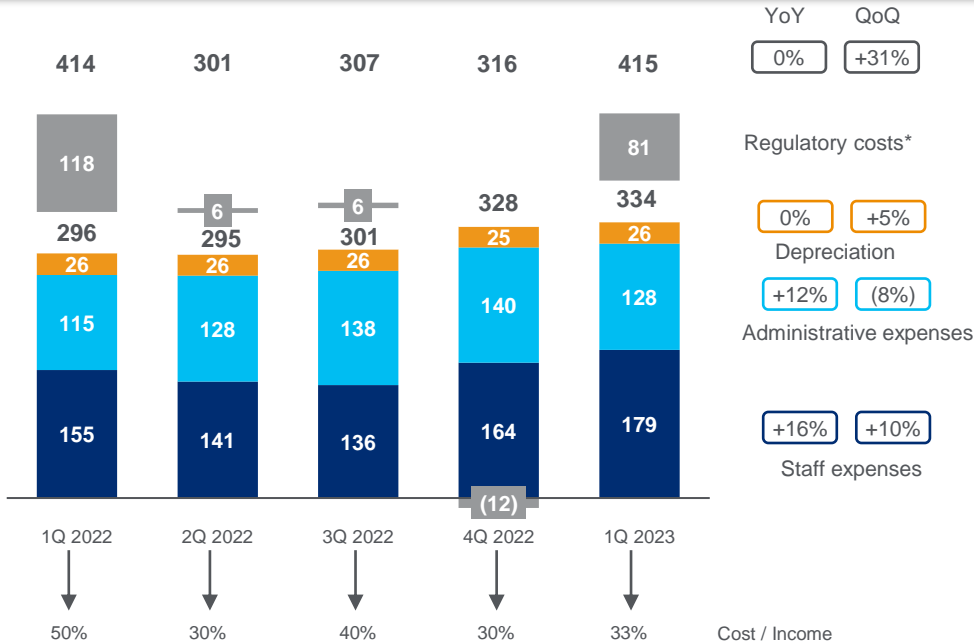
Revaluation reserve (PLN MM)



Expenses

Operating expenses (PLN MM)

Higher remuneration expenses and IT expenses partially offset by lower regulatory costs



* Supervisory costs and contribution to Bank Guarantee Fund

Expenses by type (PLN MM)

Continued higher remuneration expenses and higher IT expenses related to ICT infrastructure

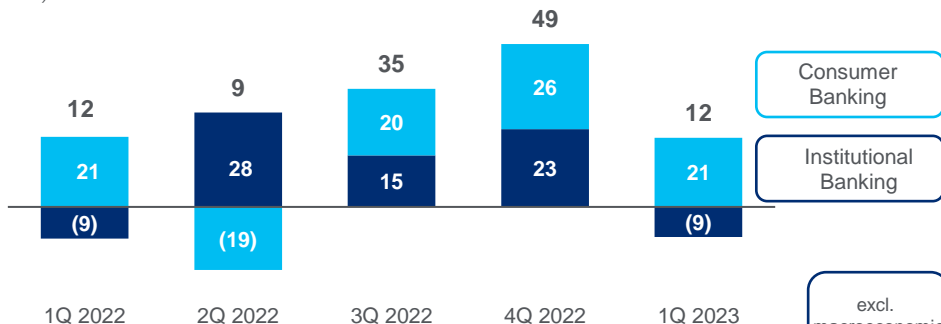


Cost of Risk

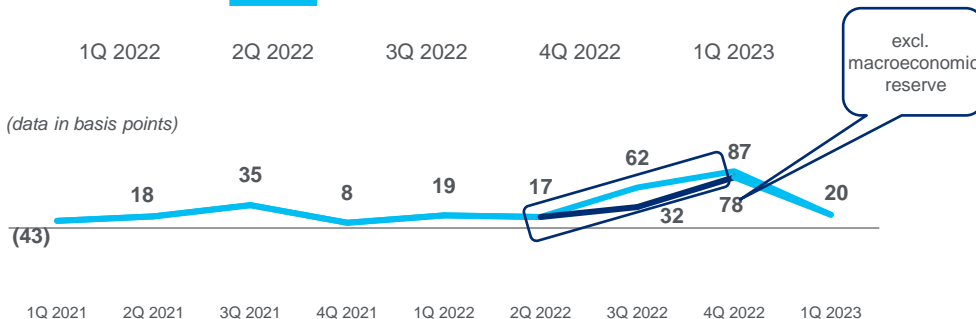
Cost of Risk

Return of costs of risk to normalized levels, annual normalized costs of risk 36 basis points in line with the Strategy

(PLN MM)



(data in basis points)

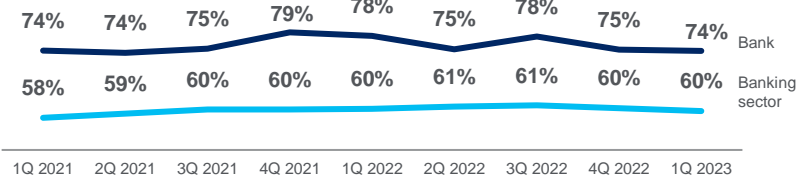


Positive number means net impairment creation (negative impact on P&L)

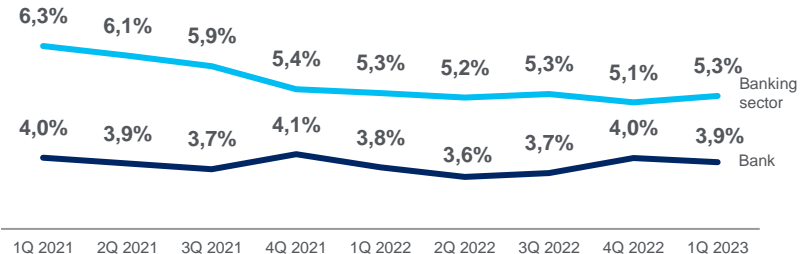
Coverage ratio and NPL (%)

Good quality of the Bank's loan portfolio, significantly better comparing to the banking sector

Coverage ratio



Share of stage 3 in loan portfolio



Banking sector data for 1Q'23 on the basis of February 2023 data

Summary of the Capital Group financial results

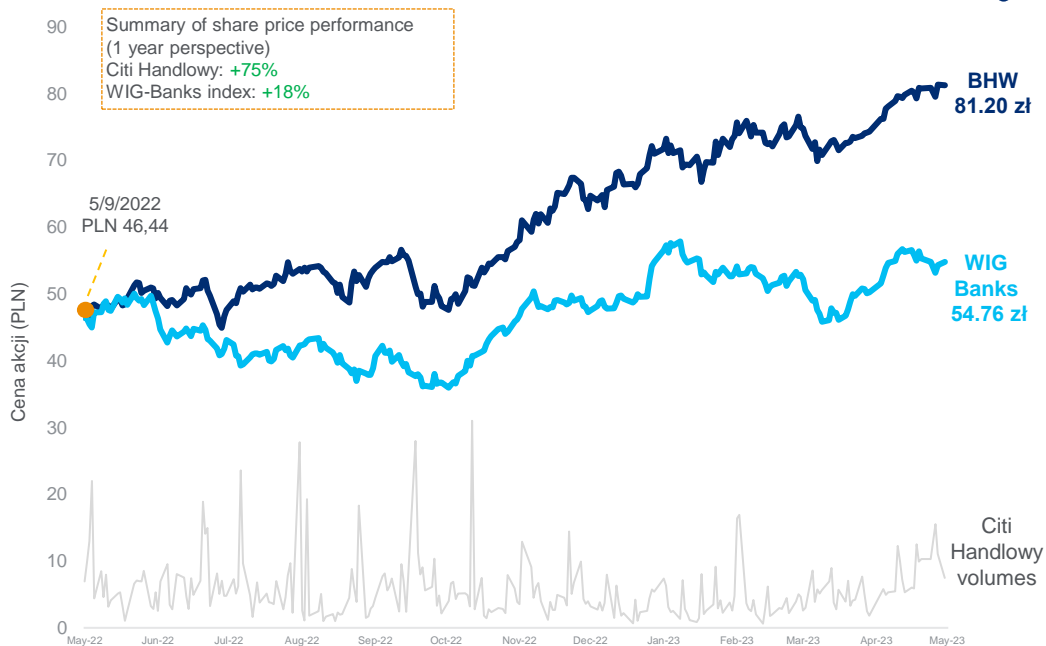
	1Q23	4Q22	ΔQoQ	1Q22	ΔYoY
Net interest income	847	897	(6%)	445	90%
Net fee and commission income	141	141	(0.2%)	151	(7%)
Core revenue	988	1,038	(5%)	596	66%
Treasury	256	(3)	-	238	7%
Other	(2)	4	-	1	-
Total revenue	1,242	1,039	20%	836	49%
Expenses	(415)	(316)	31%	(414)	0%
Operating margin	827	723	14%	422	96%
Provisions	(12)	(49)	(76%)	(12)	3%
Profit before tax	768	619	24%	368	109%
Corporate income tax	(165)	(140)	18%	(86)	92%
Bank levy	(47)	(55)	(15%)	(46)	2%
Net profit	604	479	26%	282	114%
ROE	27.8%	24.0%	3.8 pp.	8.7%	19.1 pp.
ROA	2.6%	2.2%	0.4 pp.	1.0%	1.7 pp.
Revaluation reserve	(350)	(574)	(39%)	(598)	(42%)
Assets	71,180	69,801	2%	69,282	3%
Net loans	22,512	21,621	4%	23,055	(2%)
Deposits	52,489	50,513	4%	45,502	15%
Loans / Deposits	43%	43%		51%	
TCR	17.9%	17.6%		17.8%	

* Sum of net income on trading financial instruments and revaluation and net gain on debt investment financial assets measured at fair value through other comprehensive income

Citi Handlowy – change in share price

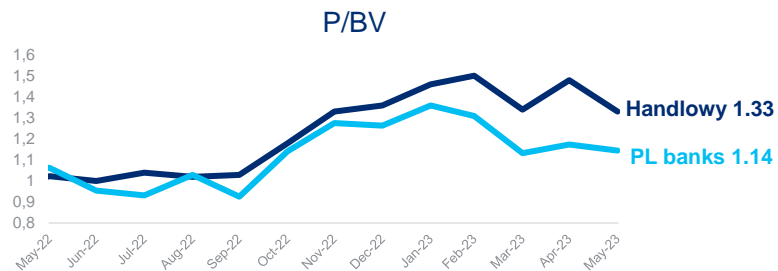
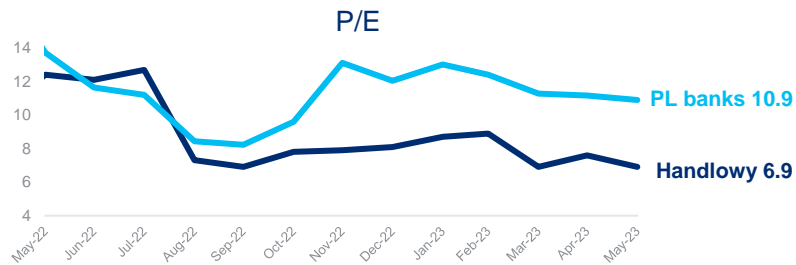
Higher yield on Bank share prices comparing to WIG-Banks index

Change in Bank's share price vs. WIG-Banks index



Note: Last quotation May 8, 2023 (Citi Handlowy: PLN 81,20)

BHW valuation vs. other banks*



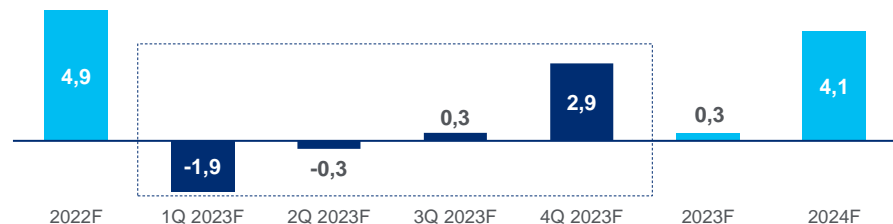
* Other banks – 8 largest banks in Poland

Appendix

Forecasts for Polish economy

GDP of Poland (% YoY)

Most likely, the economy's worst is over. The following quarters can improve activity, inter alia due to fiscal transfers

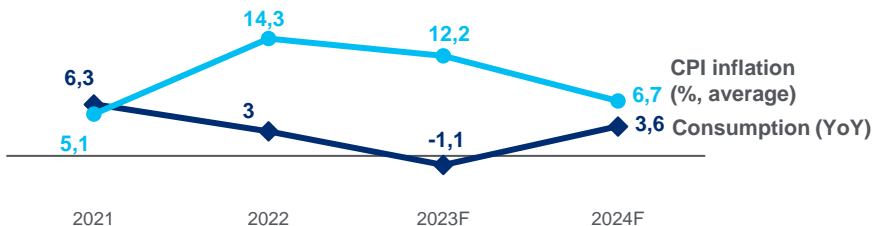


According to Citi analysts forecast (data as of 08/05/2023)

- Inflation of consumer prices is already peak. In turn, makro data suggest that the Polish economy was in the recession at the beginning of this year
- Price shocks in Poland are transferred to remuneration to a greater extent than in other countries of the region. This is one of the factors that will make it difficult to reduce the base inflation in the following quarters
- Low variability on the currency market is observed, the Polish zloty uses the lack of escalation of risk aversion

Consumption and inflation CPI (% YoY)

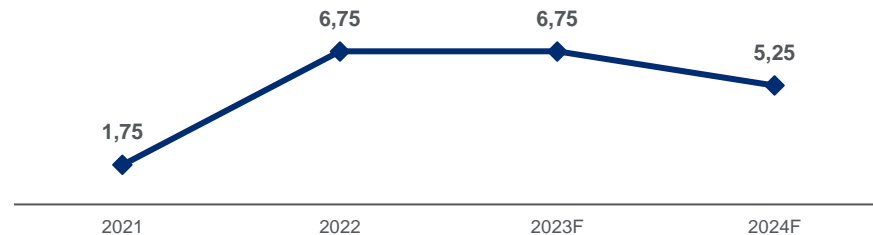
After a rapid decrease in inflation in 2023, the inflation path will be flatter, and in 2024 it will remain at a high level



According to Citi analysts forecast (data as of 08/05/2023)

NBP reference rate (% end of period)

The cycle of interest rate cuts is expected in 2024



According to Citi analysts forecast (data as of 08/05/2023)

Capital Group – profit and loss account

PLN MM	1Q22	2Q22	3Q22	4Q22	1Q23	1Q23 vs.4Q22		1Q23 vs.1Q22	
						PLN MM	%	PLN MM	%
Net interest income	445	667	732	897	847	165	23%	402	90%
Net fee and commission income	151	151	136	141	141	(0)	(0%)	(11)	(7%)
Dividend income	0	9	1	0	0	(0)	(97%)	(0)	(93%)
Net gain on trading financial instruments and revaluation	274	188	100	85	232	147	174%	(42)	(15%)
Net gain on debt investment financial assets measured at fair value through other comprehensive income	(36)	-	(200)	(88)	24	112	-	60	-
Hedge accounting	(2)	-	0	(0)	(3)	(2)	-	(1)	51%
Treasury	237	188	(100)	(3)	253	257-		17	7%
Net gain on other equity instruments	5	(1)	4	3	1	(2)	(57%)	(3)	(72%)
Net other operating income	(2)	(3)	(14)	1	(0)	(1)	-	1	(78%)
Revenue	836	1 012	760	1 039	1 242	203	20%	407	49%
Expenses	(388)	(275)	(281)	(291)	(389)	(98)	34%	(1)	0%
Depreciation	(26)	(26)	(26)	(25)	(26)	(1)	5%	0	(0%)
Expenses and depreciation	(414)	(301)	(307)	(316)	(415)	(99)	31%	(1)	0%
Operating margin	422	712	453	723	827	104	14%	406	96%
Profit/(loss) on sale of tangible fixed assets	3,5	(0,5)	(0,1)	(0,1)	(0,0)	0,1	(72%)	(3,5)	-
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	(12)	(9)	(35)	(49)	(12)	37	(76%)	(0)	3%
Tax on certain financial institutions	(46)	(58)	(53)	(55)	(47)	8	(15%)	(1)	2%
EBIT	368	643	365	619	768	149	24%	401	109%
Corporate income tax	(86)	(143)	(81)	(140)	(165)	(25)	18%	(79)	92%
Net profit	282	500	284	479	604	124	26%	322	114%
C/I ratio	50%	30%	40%	30%	33%				

Institutional Banking – profit and loss account

PLN MM	1Q22	2Q22	3Q22	4Q22	1Q23	1Q23 vs.4Q22		1Q23 vs.1Q22	
						PLN MM	%	PLN MM	%
Net interest income	276	447	562	632	583	(49)	(8%)	307	111%
Net fee and commission income	105	103	94	99	102	2	2%	(3)	(3%)
Dividend income	0	2	1	0	0	(0)	(97%)	(0)	(78%)
Net gain on trading financial instruments and revaluation	260	178	89	75	224	149	198%	(37)	(14%)
Net gain on debt investment financial assets measured at fair value through other comprehensive income	(36)	-	(200)	(88)	24	112	-	60	-
Hedge accounting	(2)	-	0	(0)	(3)	(2)	-	(1)	51%
Treasury	223	178	(111)	(13)	245	258	-	22	10%
Net gain on other equity instruments	1	(2)	5	4	(0)	(4)	-	(1)	-
Net other operating income	4	3	(8)	5	5	0	2%	1	17%
Revenue	608	732	545	727	934	207	28%	326	54%
Expenses	(225)	(129)	(135)	(140)	(214)	(73)	52%	11	(5%)
Depreciation	(6)	(6)	(6)	(6)	(6)	0	(0%)	(0)	5%
Expenses and depreciation	(230)	(135)	(141)	(147)	(220)	(73)	50%	11	(5%)
Operating margin	378	597	404	581	714	134	23%	336	89%
Profit/(loss) on sale of tangible fixed assets	3,5	(0,3)	0,0	(0,1)	0,0	0	(81%)	(4)	-
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	9	(28)	(15)	(23)	9	32	-	(0)	(5%)
Tax on certain financial institutions	(39)	(51)	(45)	(48)	(34)	14	(30%)	5	(13%)
EBIT	352	517	343	509	689	180	35%	337	96%
C/I ratio	38%	18%	26%	20%	24%				

Consumer Banking – profit and loss account

PLN MM	1Q22	2Q22	3Q22	4Q22	1Q23	1Q23 vs.4Q22		1Q23 vs.1Q22	
						PLN MM	%	PLN MM	%
Net interest income	169	219	170	265	265	(0)	(0%)	96	57%
Net fee and commission income	47	48	42	41	39	(2)	(6%)	(8)	(16%)
Dividend income	0	8	-	0	-	(0)	(100%)	(0)	(100%)
Net gain on trading financial instruments and revaluation	14	11	11	10	8	(2)	(16%)	(6)	(41%)
Net gain on other equity instruments	4	0	(1)	(1)	1	2	-	(3)	(63%)
Net other operating income	(6)	(6)	(6)	(4)	(5)	(1)	34%	1	(13%)
Revenue	228	280	216	312	308	(4)	(1%)	81	36%
Expenses	(163)	(146)	(147)	(151)	(175)	(24)	16%	(12)	7%
Depreciation	(21)	(20)	(20)	(19)	(20)	(1)	7%	0	(2%)
Expenses and depreciation	(184)	(166)	(166)	(170)	(195)	(26)	15%	(12)	6%
Net impairment allowances on non-financial assets	-	-	-	-	-	-	-	-	-
Operating margin	44	115	49	142	113	(29)	(21%)	69	157%
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	(21)	19	(20)	(26)	(21)	5	(19%)	0	(1%)
Tax on certain financial institutions	(7)	(8)	(8)	(7)	(13)	(6)	90%	(6)	84%
EBIT	16	126	21	110	79	(31)	(28%)	63	399%
C/I ratio	81%	59%	77%	54%	63%				

Balance sheet - assets

	End of period					1Q23 vs. 4Q22		1Q23 vs. 1Q22	
	1Q22	2Q22	3Q22	4Q22	1Q23	PLN B	%	PLN B	%
<i>PLN B</i>									
Cash and balances with the Central Bank	2,7	4,1	9,1	0,6	1,8	1,2	197%	(0,9)	(35%)
Amounts due from banks	2,1	2,4	1,8	1,0	3,9	2,9	278%	1,8	84%
Financial assets held-for-trading	14,3	10,3	10,7	7,0	4,5	(2,6)	(36%)	(9,9)	(69%)
Debt financial asstes measured at fair value through other comprehensive income	24,6	28,1	26,4	37,2	36,2	(1,0)	(3%)	11,6	47%
Customer loans	23,1	22,1	21,8	21,6	22,5	0,9	4%	(0,5)	(2%)
Financial sector entities	3,9	3,4	3,1	3,8	4,0	0,2	5%	0,1	2%
including reverse repo receivables	0,2	0,1	0,2	-	0,4	0,4	-	0,2	91%
Non-financial sector entities	19,1	18,8	18,6	17,8	18,5	0,7	4%	(0,6)	(3%)
Institutional Banking	12,4	12,2	12,4	11,7	12,6	1,0	8%	0,3	2%
Consumer Banking	6,8	6,5	6,3	6,1	5,9	(0,2)	(4%)	(0,9)	(13%)
Unsecured receivables	4,4	4,3	4,1	3,9	3,8	(0,2)	(4%)	(0,6)	(14%)
Credit cards	2,3	2,3	2,2	2,2	2,1	(0,1)	(4%)	(0,2)	(7%)
Cash loans	2,1	1,9	1,8	1,7	1,6	(0,1)	(4%)	(0,4)	(21%)
Other unsecured receivables	0,1	0,0	0,0	0,1	0,0	(0,0)	(19%)	(0,0)	(33%)
Mortgage	2,4	2,2	2,2	2,2	2,1	(0,1)	(3%)	(0,3)	(11%)
Other assets	2,4	2,4	2,5	2,3	2,3	(0,0)	(0%)	(0,1)	(5%)
Total assets	69,3	69,4	72,2	69,8	71,2	1,4	2%	1,9	3%

Balance sheet – liabilities and equity

PLN B	End of period					1Q23 vs. 4Q22		1Q23 vs. 1Q22	
	1Q22	2Q22	3Q22	4Q22	1Q23	PLN B	%	PLN B	%
Liabilities due to banks	4,5	3,3	3,7	4,8	4,7	(0,1)	(3%)	0,1	3%
Financial liabilities held-for-trading	10,2	9,5	9,4	4,9	3,6	(1,3)	(27%)	(6,7)	(65%)
Financial liabilities due to customers	45,5	46,0	50,3	50,5	52,5	2,0	4%	7,0	15%
Financial sector entities - deposits	3,4	3,2	3,4	3,6	3,4	(0,3)	(7%)	(0,1)	(2%)
Non-financial sector entities - deposits	40,8	40,5	44,6	45,2	47,2	2,0	5%	6,4	16%
Institutional Banking	23,4	22,8	26,4	27,4	28,8	1,4	5%	5,4	23%
Consumer Banking	17,4	17,7	18,2	17,8	18,4	0,6	3%	1,0	6%
Other deposits	1,3	2,3	2,3	1,7	1,9	0,2	11%	0,6	47%
Other liabilities	1,7	3,8	1,6	1,6	1,7	0,1	3%	0,0	2%
Total liabilities	61,9	62,6	65,0	61,8	62,4	0,6	1%	0,5	1%
Share capital	0,5	0,5	0,5	0,5	0,5	-	-	-	-
Supplementary capital	3,0	3,0	3,0	3,0	3,0	-	-	-	-
Revaluation reserve	(0,6)	(0,9)	(0,8)	(0,6)	(0,3)	0,2	(39%)	0,2	(42%)
Other reserves	2,8	2,8	2,8	2,8	2,8	(0,0)	(0%)	0,0	1%
Retained earning	1,6	1,4	1,7	2,2	2,8	0,6	28%	1,1	70%
Total Equity	7,4	6,9	7,3	8,0	8,8	0,8	10%	1,4	19%
Total liabilities & equity	69,3	69,4	72,2	69,8	71,2	1,4	2%	1,9	3%
Loans / Deposits ratio	51%	48%	43%	43%	43%				



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