

Bank Handlowy w Warszawie S.A.

3Q 2014 consolidated financial results

November 5, 2014

The logo for Citi Handlowy, featuring the word "citi" in white lowercase letters with a red arc above the "i", followed by "handlowy" in white lowercase letters and a registered trademark symbol (®) to the right.

Summary of 3Q 2014 in Citi Handlowy

228
MM PLN
of
net profit

Efficiency

- Another quarter of **solid net profit** – **PLN 742 MM** net profit after 3 quarters
- **Revenue growth in all P&L lines** YoY:
 - Operating income: **+11%**
 - Expenses: **-3%**
 - Low cost of risk (cost of risk: **16 bps**), further decline of NPL to **5.3%**

Net profit increase

+38% YoY

Business development

- **Smart branches roll out:** 4 new branches opened in 3Q
- Continuing **growth in strategic areas:** number of Gold customers: **+12%** YoY, investment product sales: **+107%** YoY
- The best **Transaction Banking in Poland** – **#1** in Euromoney Cash Management Survey 2014

Growing number of Citigold clients

+12% YoY

Volumes growth

- Another quarter of **lending volumes growth:** **+4%** QoQ, **+16%** YTD
- Consistent **growth in unsecured loans sales:** **+3%** QoQ, **+10%** YTD
- Consistent **growth in demand deposits:** **+2%** QoQ, **+12%** YoY

Net receivables (YTD increase)

Individual customers

Institutional customers

+10%

+19%

Equity and liquidity

- **Strong equity position** confirmed in stress test results:
 - CAR / CET 1 for 2016 year-end:
 - 15,74%** in base case scenario
 - 14,92%** in adverse scenario
 - Dividend payout ratio at 100% of 2014-2016 net income

Tier 1 (Basel III ratio)

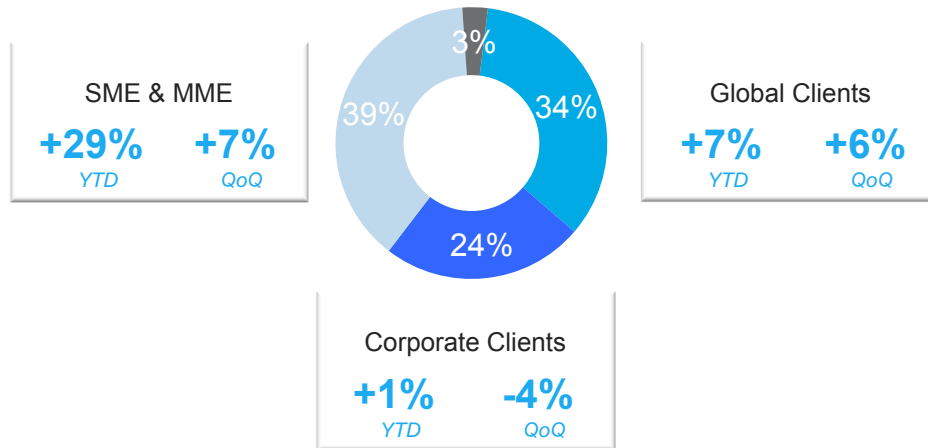
Loans / Deposits

16%

78%

Institutional Banking

Lending – growth in all segments

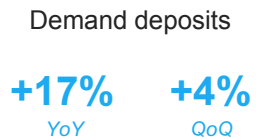


Leader in Transaction Banking

- Transaction Banking Services appreciated by customers – **Citi Handlowy #1 in Euromoney Cash Management Survey 2014**



- Cash management - a strategic focus on operating accounts



Emerging Market Champions

Citi Handlowy supports the strategic investments of the Polish economy

acquisition of stakes in the four fields on the Norwegian Continental Shelf

Citi in collaboration with Citi Handlowy prepared a fairness opinion for this transaction

Revolving credit for the amount of \$ 2.5 billion

acted as Global Coordinator and the Chief Arranger of the consortium of banks

Citi Handlowy – a leading partner in foreign expansion of companies



286
global companies
investing with Citi Handlowy in Poland

47
Polish companies
investing with Citi Handlowy in the world

Consumer Banking

Distribution

Shift towards digital and Smart Banking

Smart Branches – new openings



6 new Smart Branches
opened since July,
4 in Q3

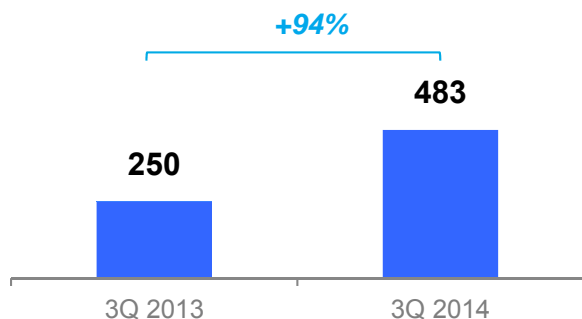
~x6-10
higher productivity per
Smart Branch
vs. traditional

- Continued **digitization**:
 - growing number of active users: **+65%** YoY - mobile; **+10%** YoY – digital
 - 45%** of all individual clients use digital channels

Volumes

Continued growth in unsecured lending

Unsecured loans sales (PLN MM)



Unsecured loans
balance

+10% YoY

Mortgage loans
balance

+16% YoY

Relationship banking

Focus on Citigold and CitiPriority clients

- Leveraging strong position on the **FX market** to deliver better services to clients:
 - building Currency Ecosystem with competitive FX offer for Citigold clients
 - FX Specialists already in 50% of Gold Hubs
- Investment offer development:
 - New 28 offshore mutual funds** implemented to the offer
 - Electronic platform** offering the possibility to invest in over **20** stock exchanges
- The highest **quality standards** in serving clients



Gold clients
+12% YoY

Investment
products sales
+107% YoY



Credit cards

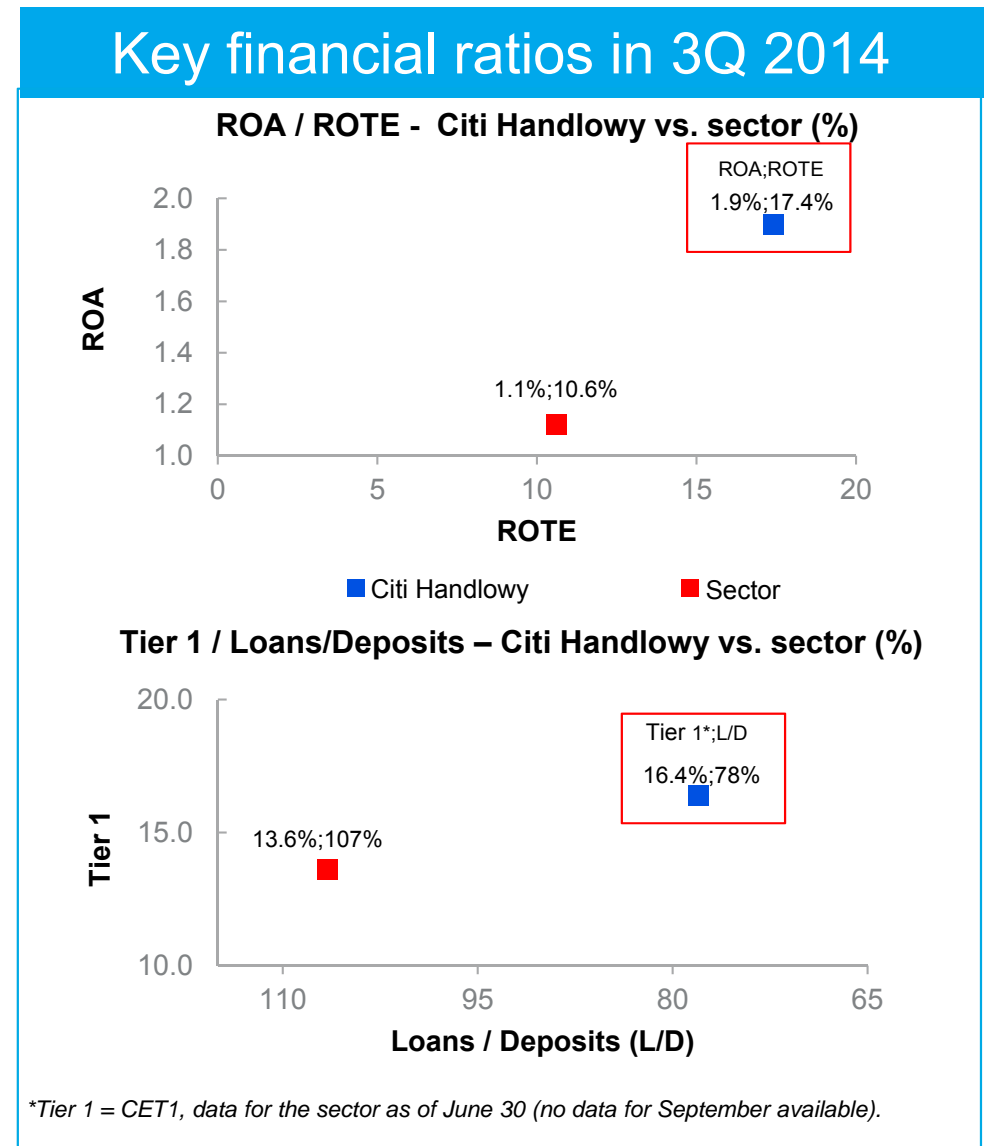
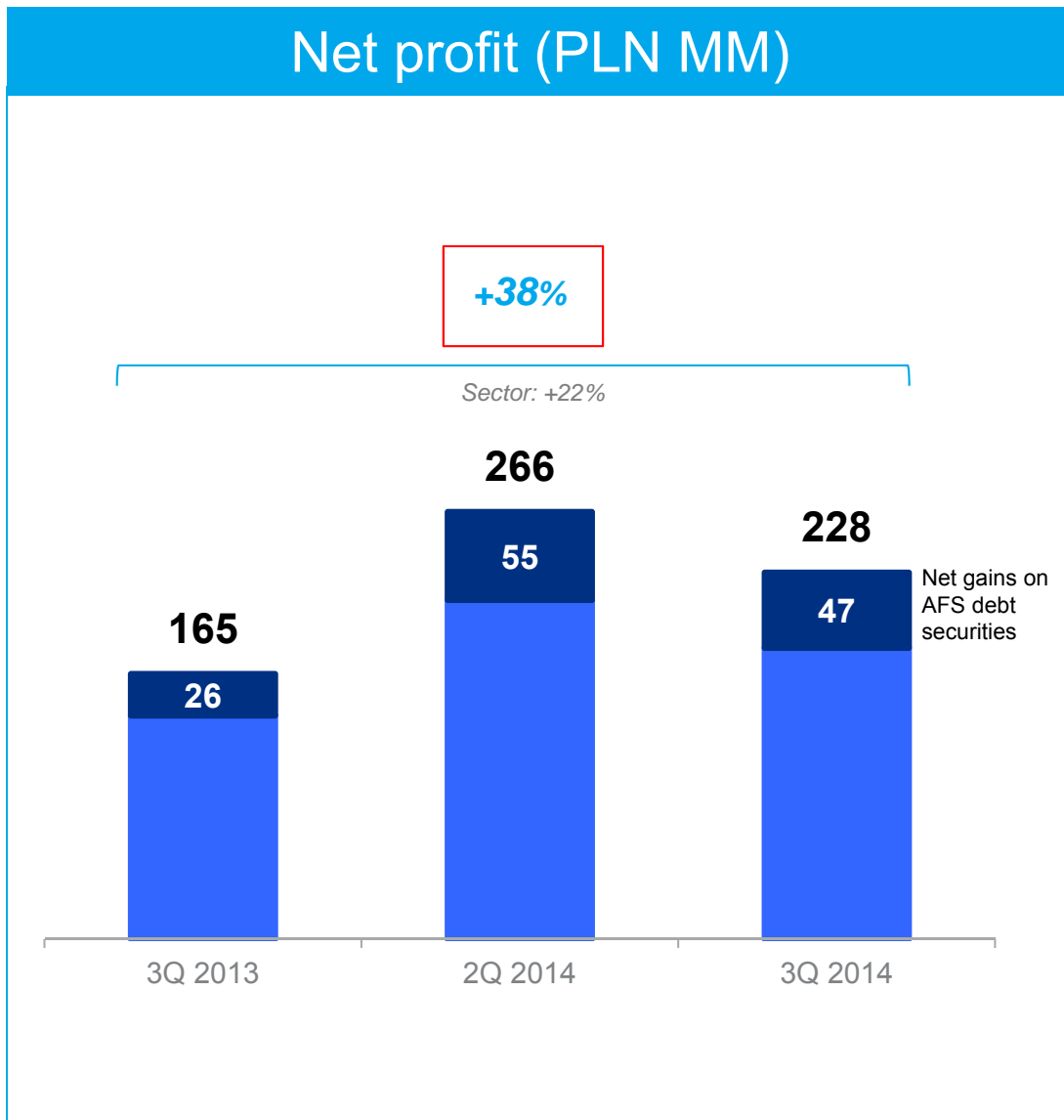
Strategic moves in the new regulatory environment

- Changes in the credit cards offer:
 - New credit card for travelers introduced – **Premier Miles** offering access to the unique loyalty program covering **11 airlines** (e.g. KLM, British Airways, AirFrance) and **3 international hotel chains**
 - Successful cooperation with other credit cards partners continued (BP, World card partners)



Every fourth PLN spent on credit cards in Poland and **every second PLN** spent abroad falls on Citi Handlowy cardholder

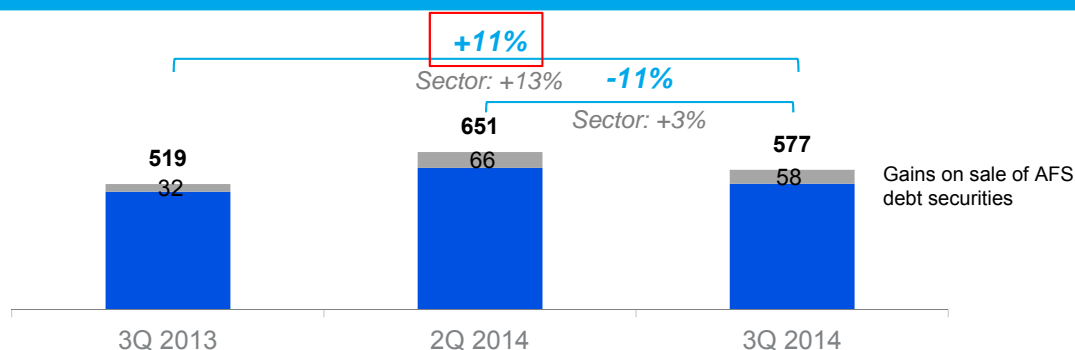
Another quarter of solid net profit



▶ High efficiency of the Bank – ratios better than the sector and strategic targets

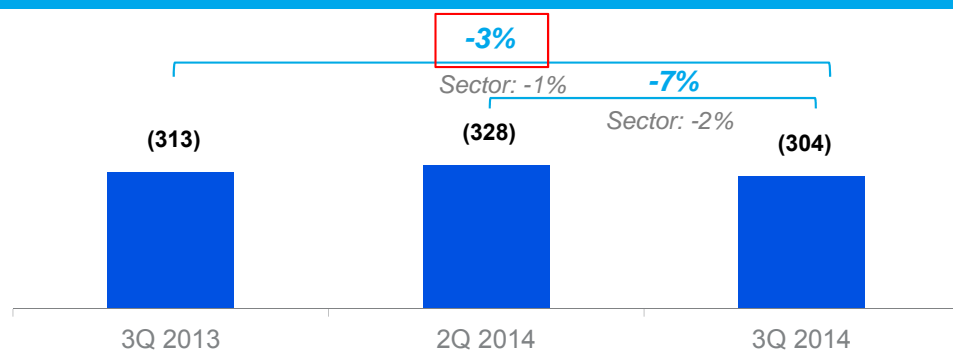
Revenue and discipline in the expenses and risk

Revenues (PLN MM)



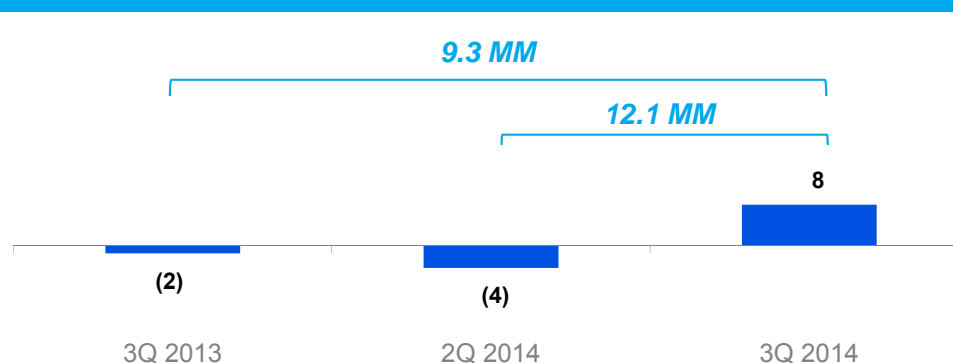
- The YoY increase and QoQ decrease in revenues mainly in the area of Treasury (driven by gains on sale of AFS debt securities)
- Net interest income – driven by volume growth and change in bond yields
- Net fee and commission – cut of interchange fee

Expenses (PLN MM)



- The YoY decrease in expenses primarily as a result of branch network optimization, efficiency improvement and restructuring
- The QoQ decrease in expenses due to lower compensation related expenses (restructuring and reversal of holiday accrual), lower technology expenses

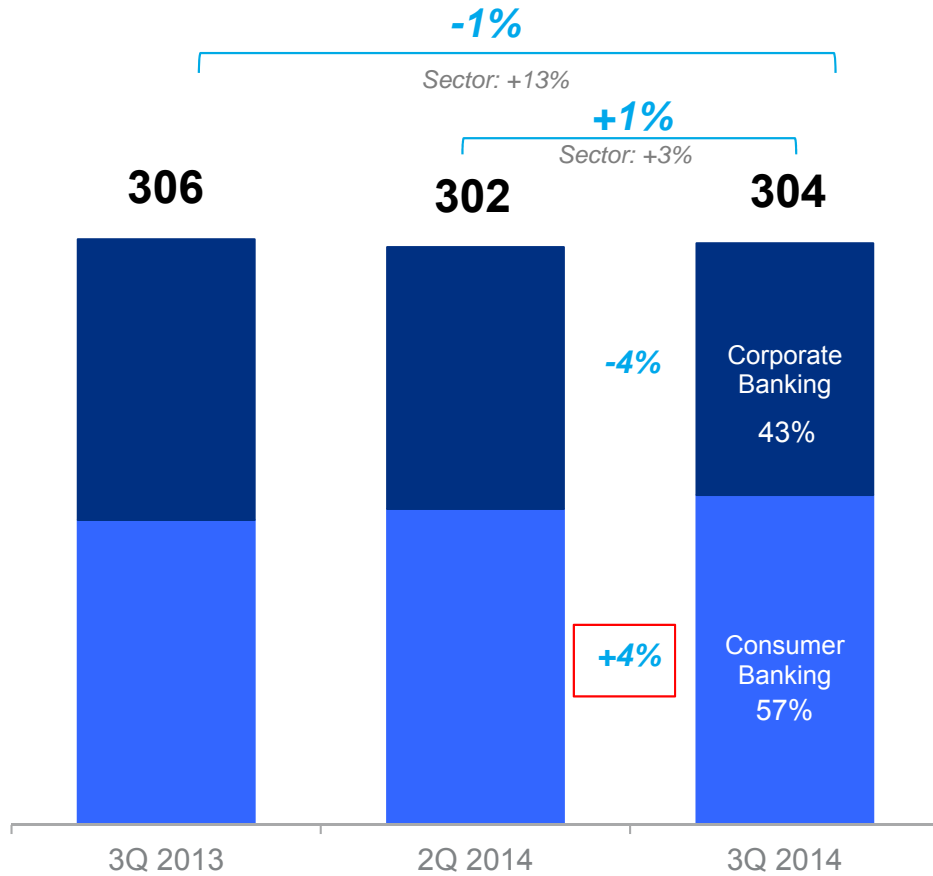
Net impairment losses (PLN MM)



- A positive trend in Consumer Banking continued – stabilization and improvement of credit cards' and cash loans' portfolio quality
- Positive net impairment losses in institutional banking segment as a result of Bank's proactive policy towards the exposure of a higher level of risk in the MME segment

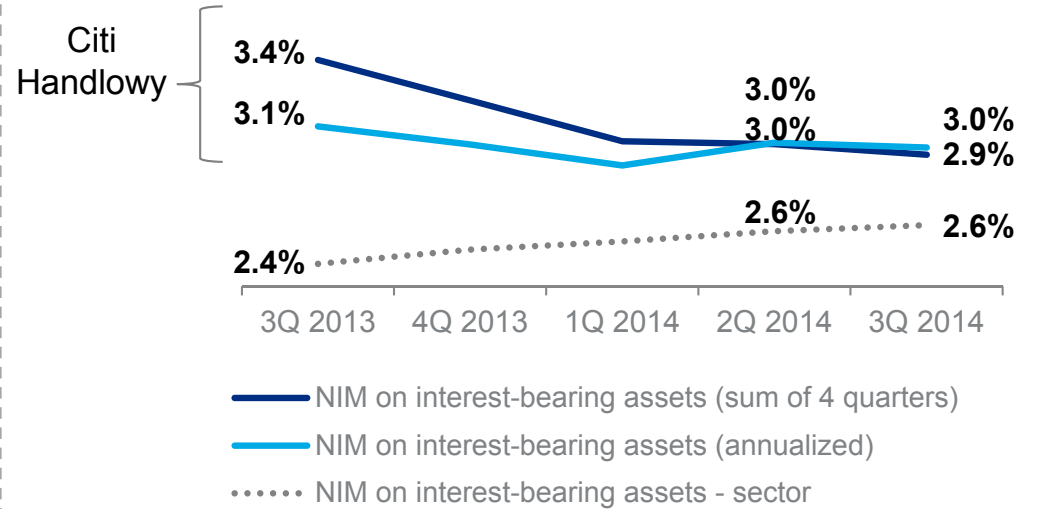
Net interest income reflecting lending growth

Net interest income (PLN MM)



➤ Customer result: *net interest income* ↑ **2%** *QoQ* ↑ **10%** *YoY*
➤ Debt securities: *interest income* ↓ **6%** *QoQ* ↓ **22%** *YoY*

Net interest margin (NIM) – Bank vs. sector

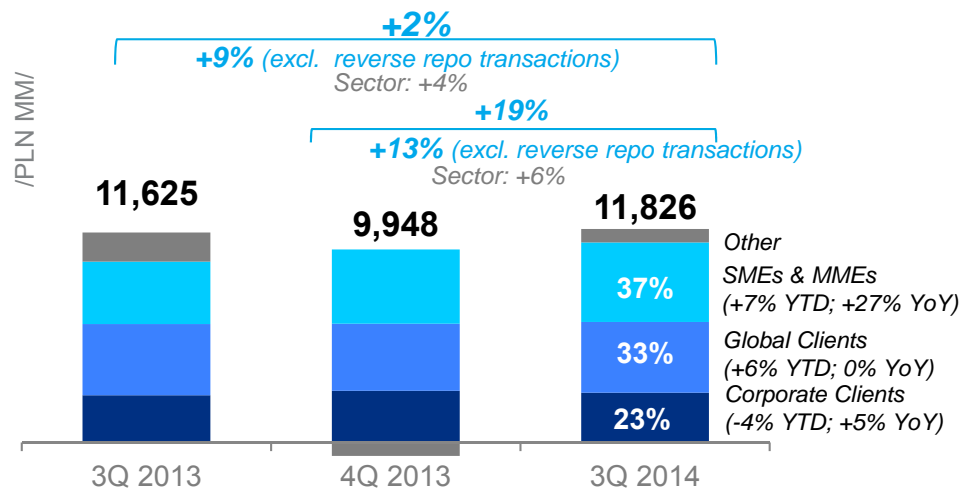


- Increase in net interest income due to higher customer revenues mainly as a result of growth in consumer loans.
- Stable net interest margin in 3Q 2014 still above the average sector level

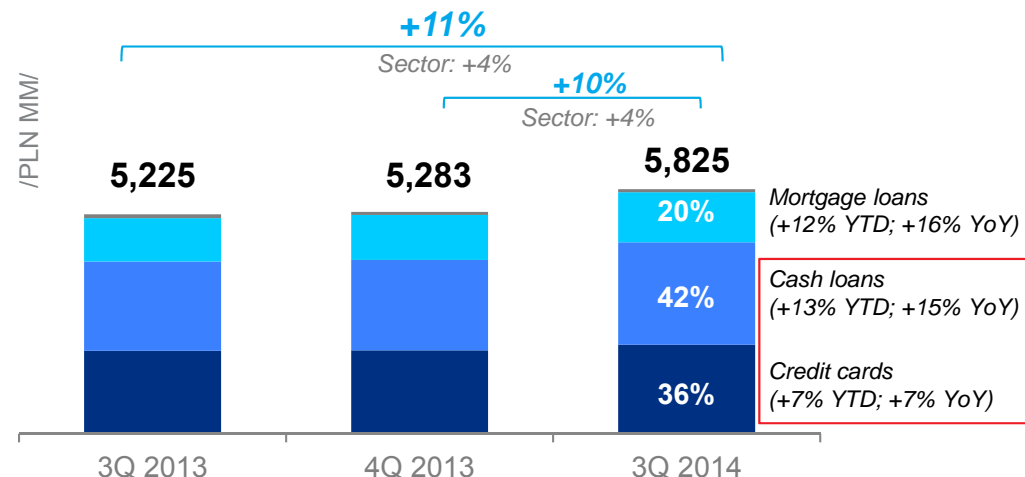
Customer volumes

Lending growth acceleration

Institutional non-banking customers' loans

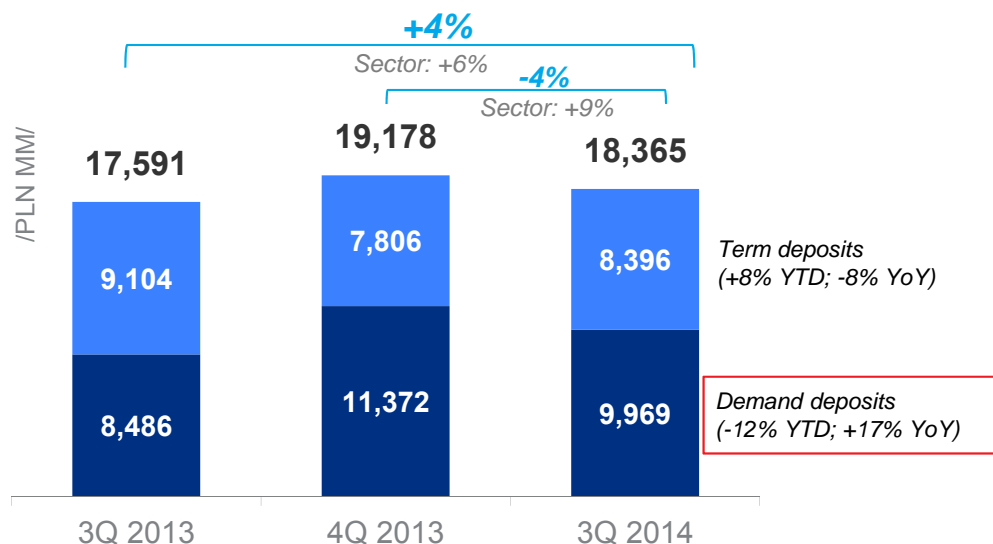


Individual customer loans

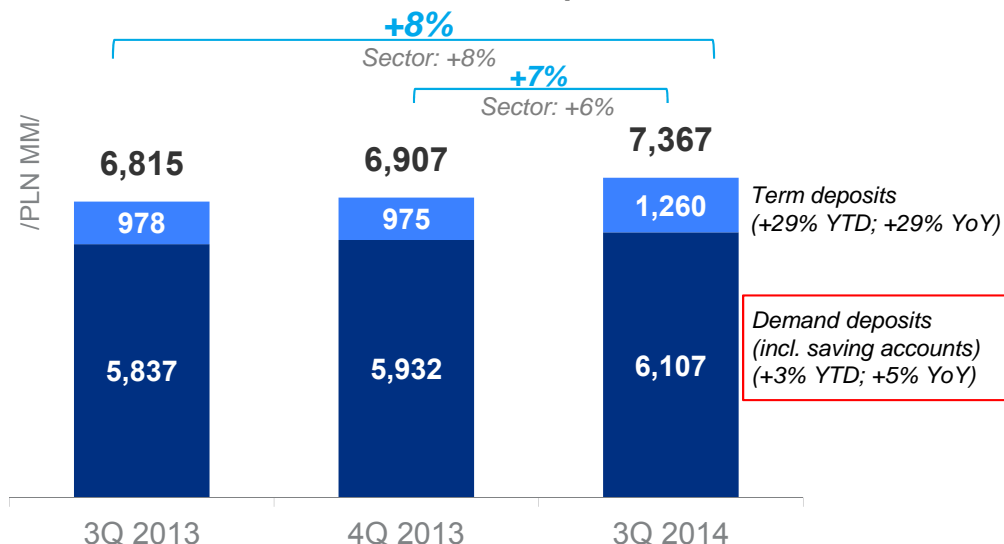


Growth in retail deposits as a result of focus on operating accounts

Institutional non-banking customers' deposits

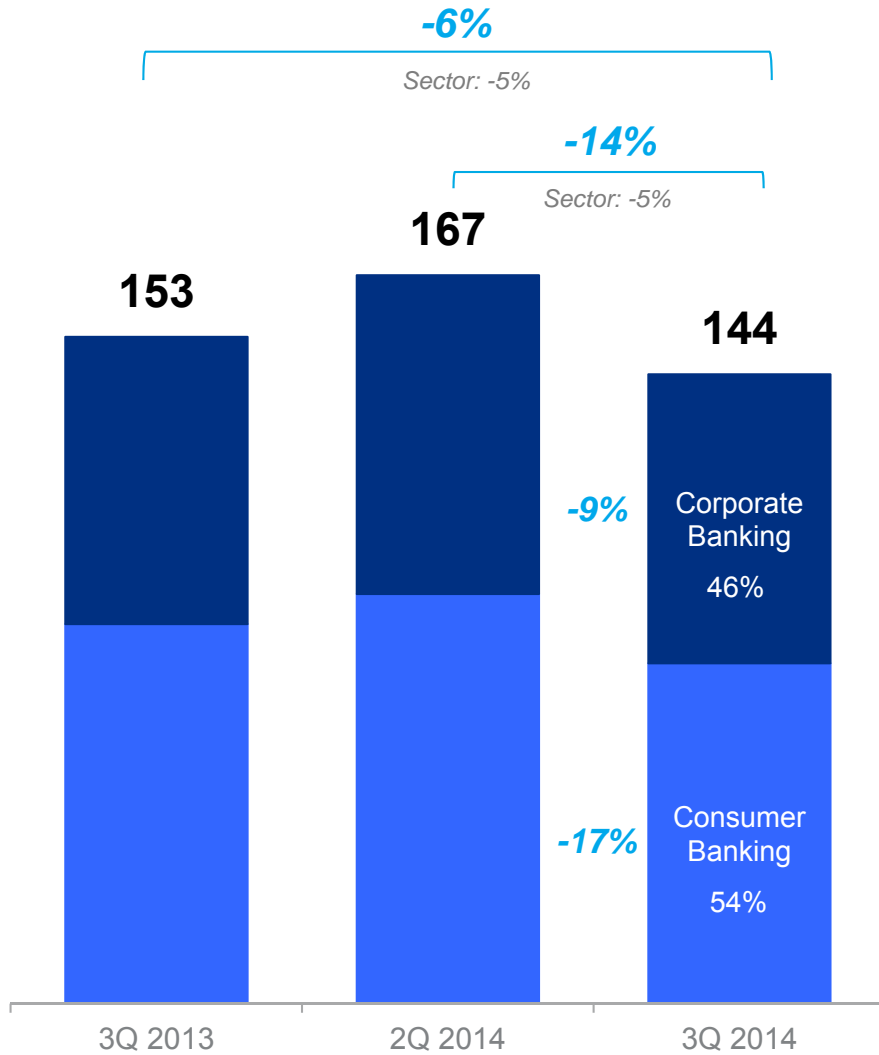


Individual customer deposits

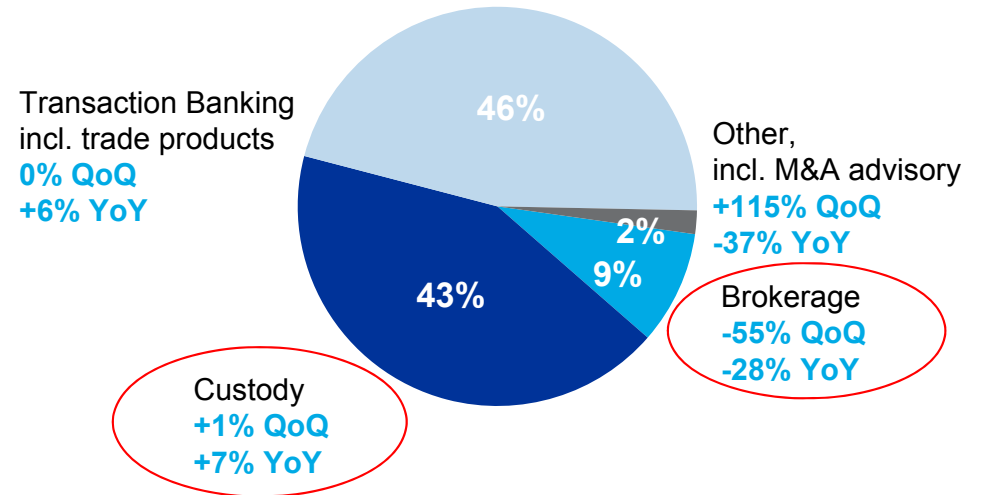


Net fee & commission income

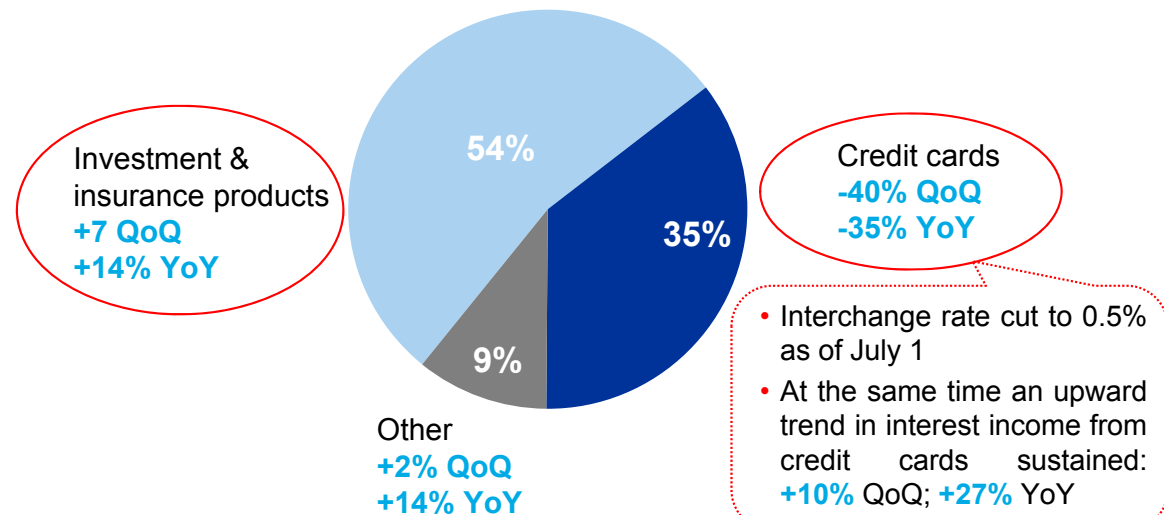
Net fee & commission income (PLN MM)



Corporate Banking **-9% QoQ** and **+1% YoY**

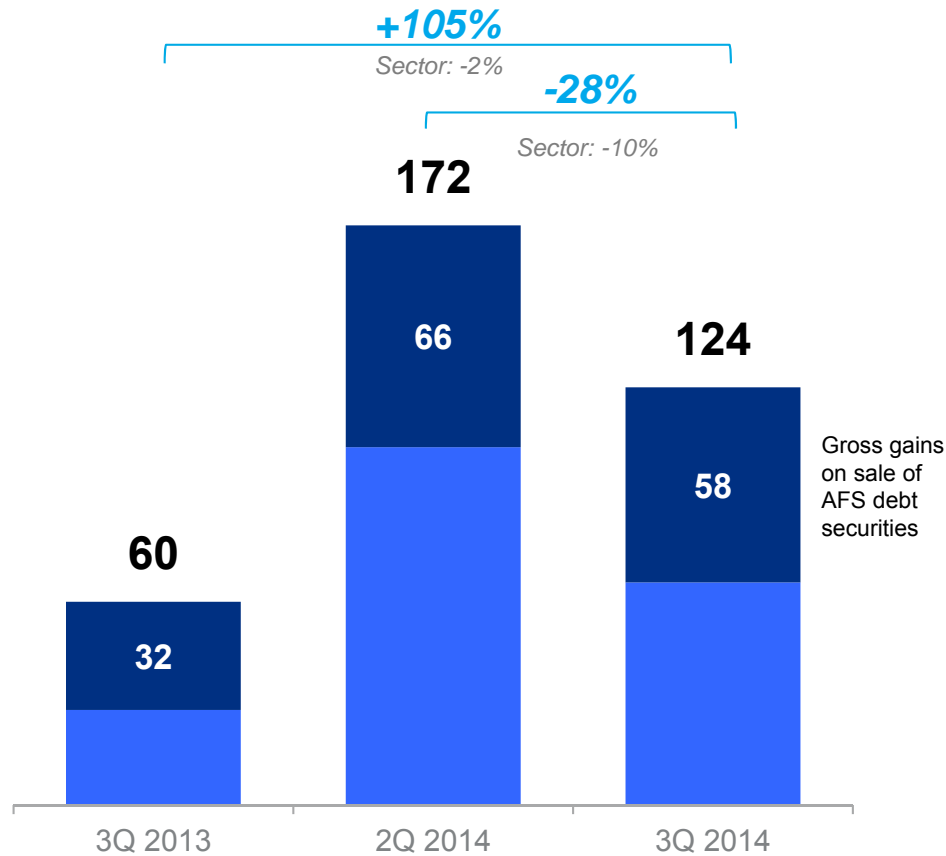


Consumer Banking **-17% QoQ** and **-10% YoY**

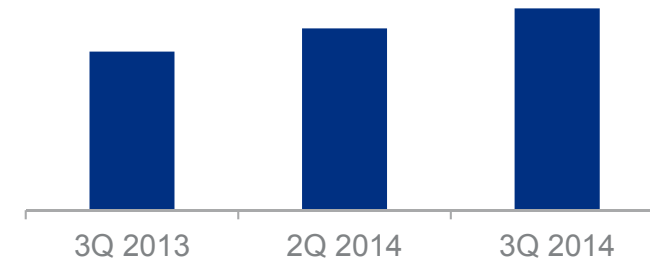


Treasury

Treasury result (PLN MM)



Result on customer operations (excl. CVA)



Result on the interbank market operations



Note: The scales on the graphs are not comparable

#1 on the market

CitiFXPULSE

is the most common electronic FX platform on the market

in the contest of Ministry of Finance



to act as **Treasury Securities Dealer**

YTD FX turnover

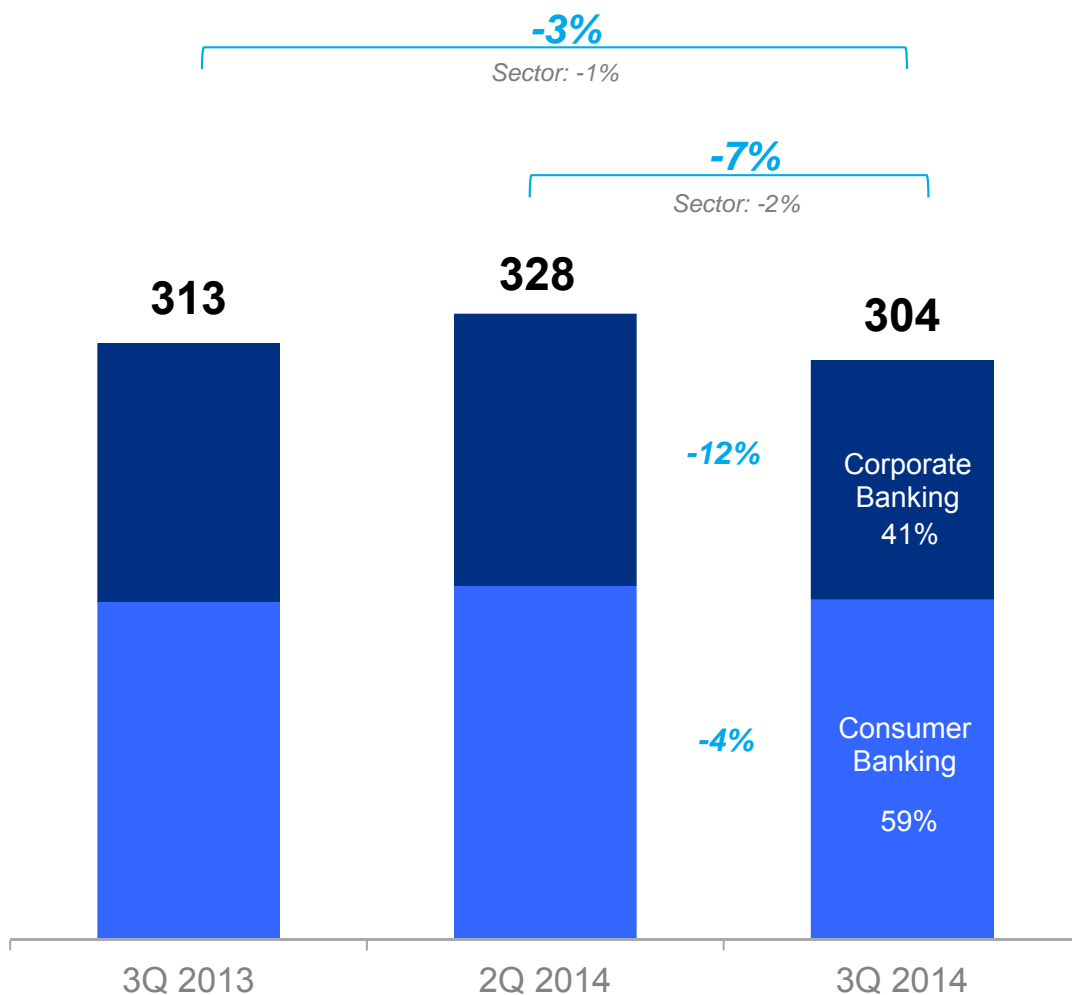
+7% YoY

CitiFX Pulse – FX transactions share

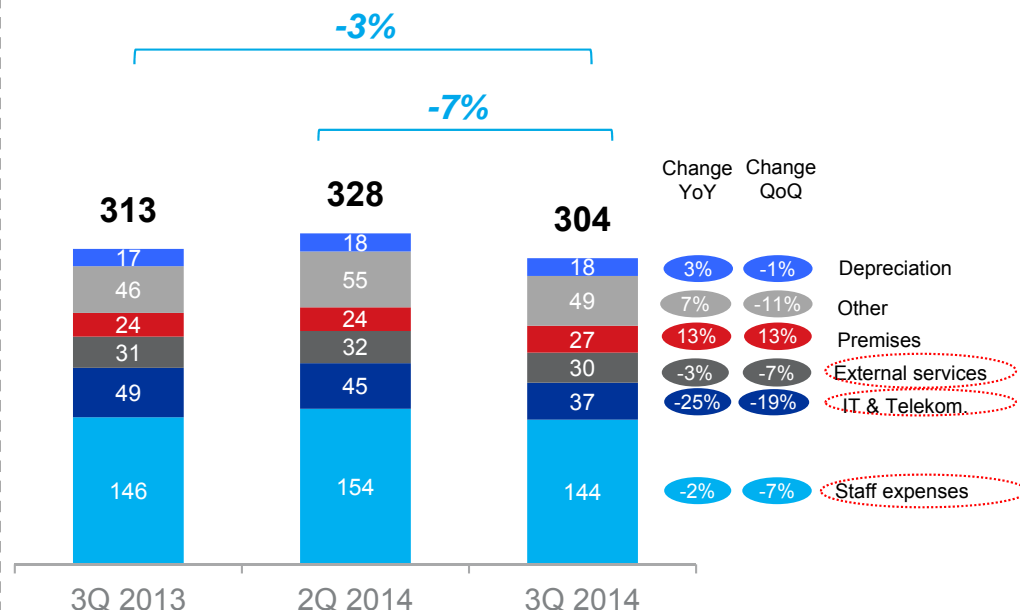
74%

Expenses and depreciation

Expenses and depreciation (PLN MM)



Expenses and depreciation (PLN MM) by type

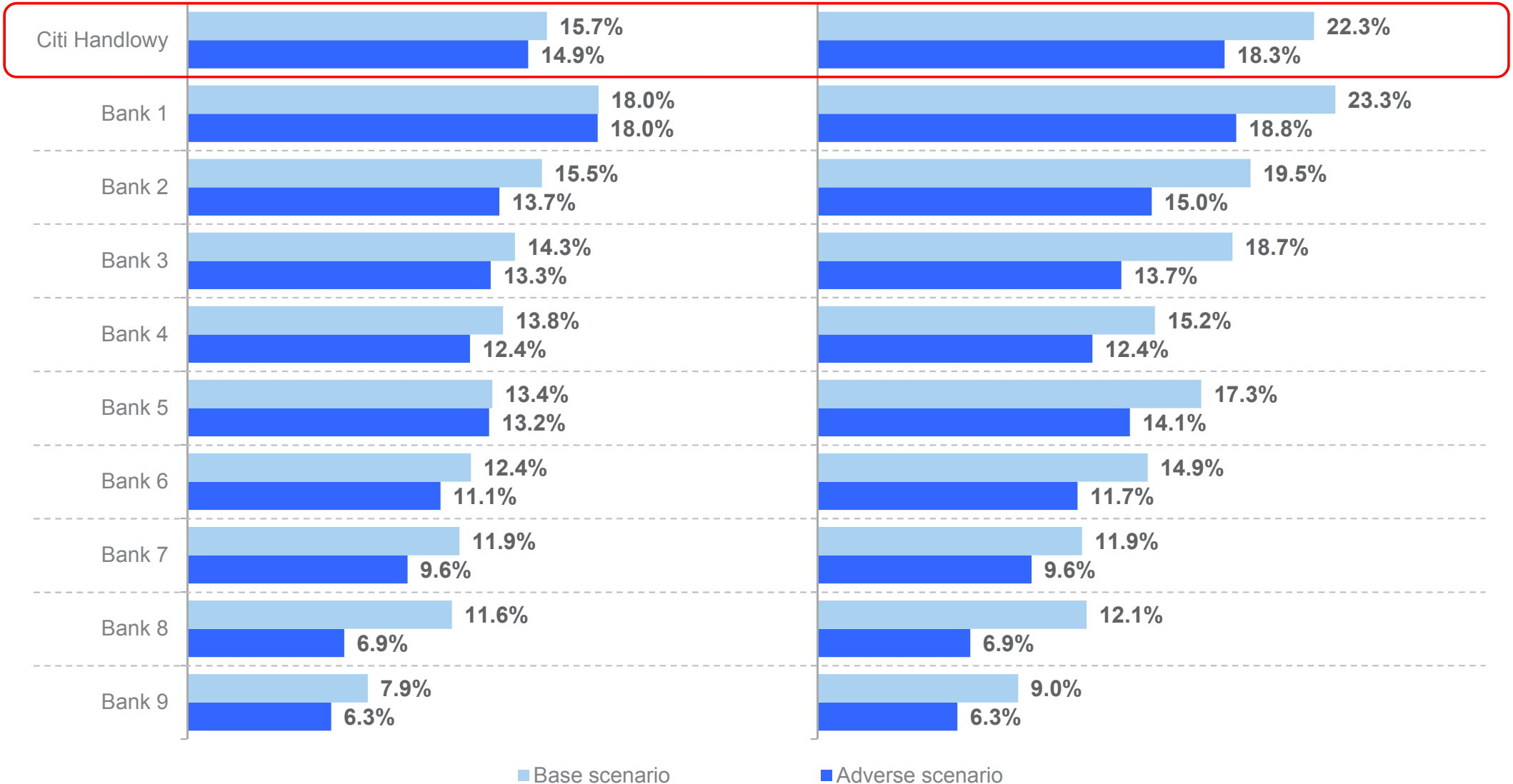


- **The QoQ decrease in Bank's expenses** mainly due to:
 - lower compensation related expenses (restructuring and seasonal change of the holiday accrual level)
 - lower technology expenses
- **Cost / Income ratio** at **53%** in 3Q 2014

High score of Citi Handlowy in stress tests EBA/ KNF

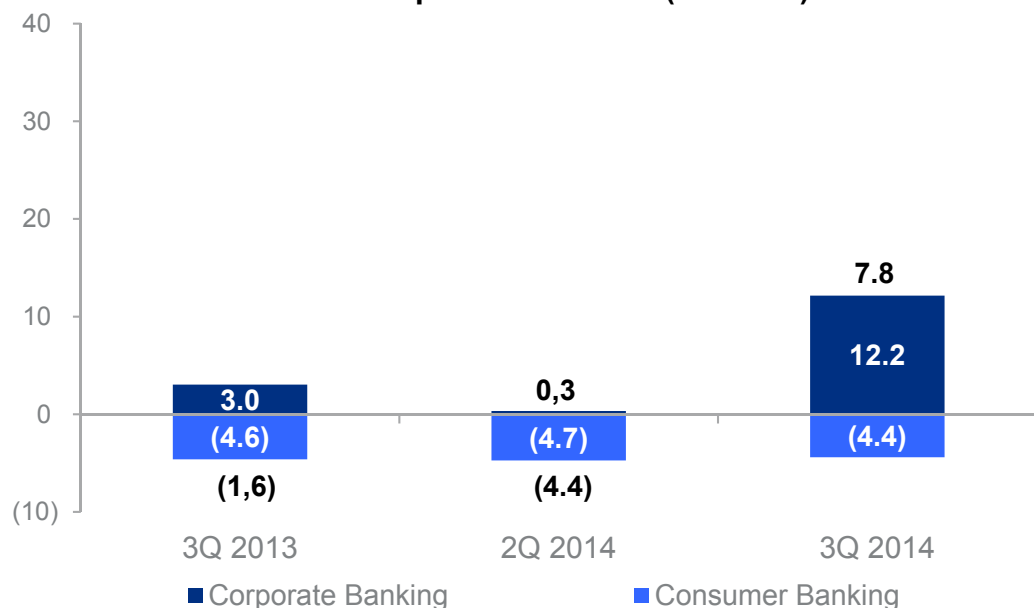
Level of CET1 ratio in stress tests for 10 biggest banks
(data according to KNF)

Level of CET1 ratio – simulation assuming the retention of earnings for banks

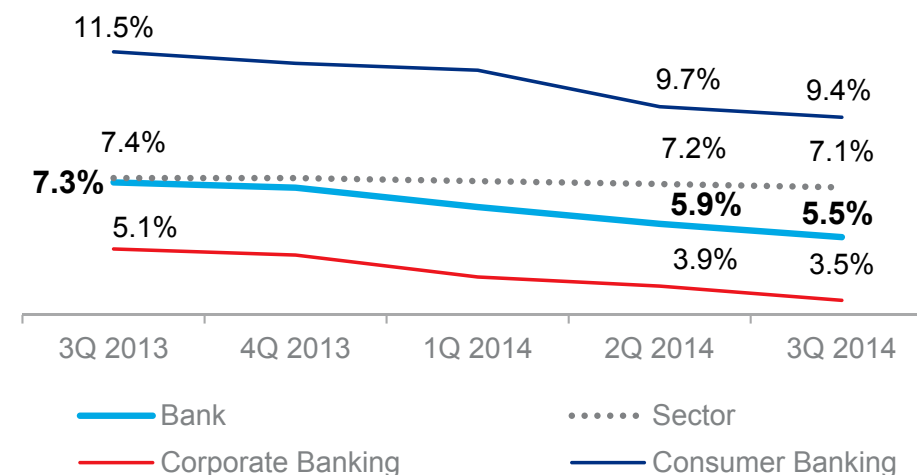


Stable situation in the area of credit risk

Net impairment losses (PLN MM)

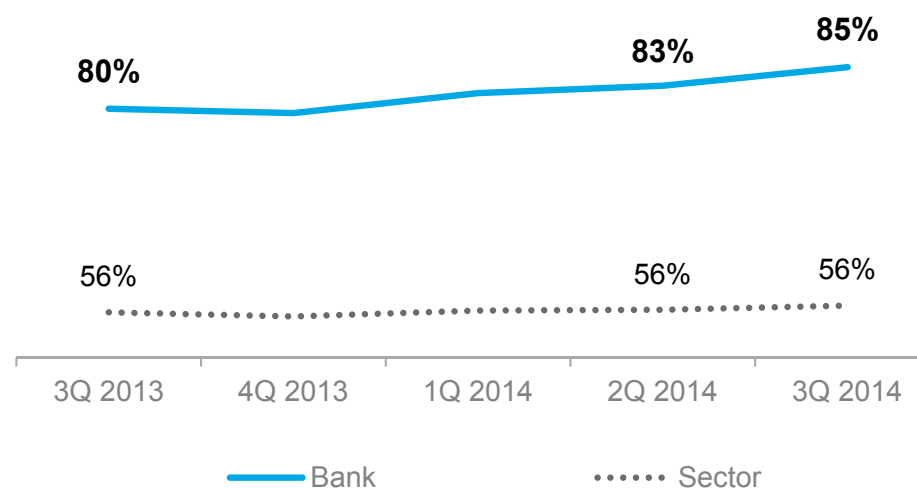


Non-performing loans ratio (NPL)



NPL ratio for the Bank presented excluding reverse repo receivables.

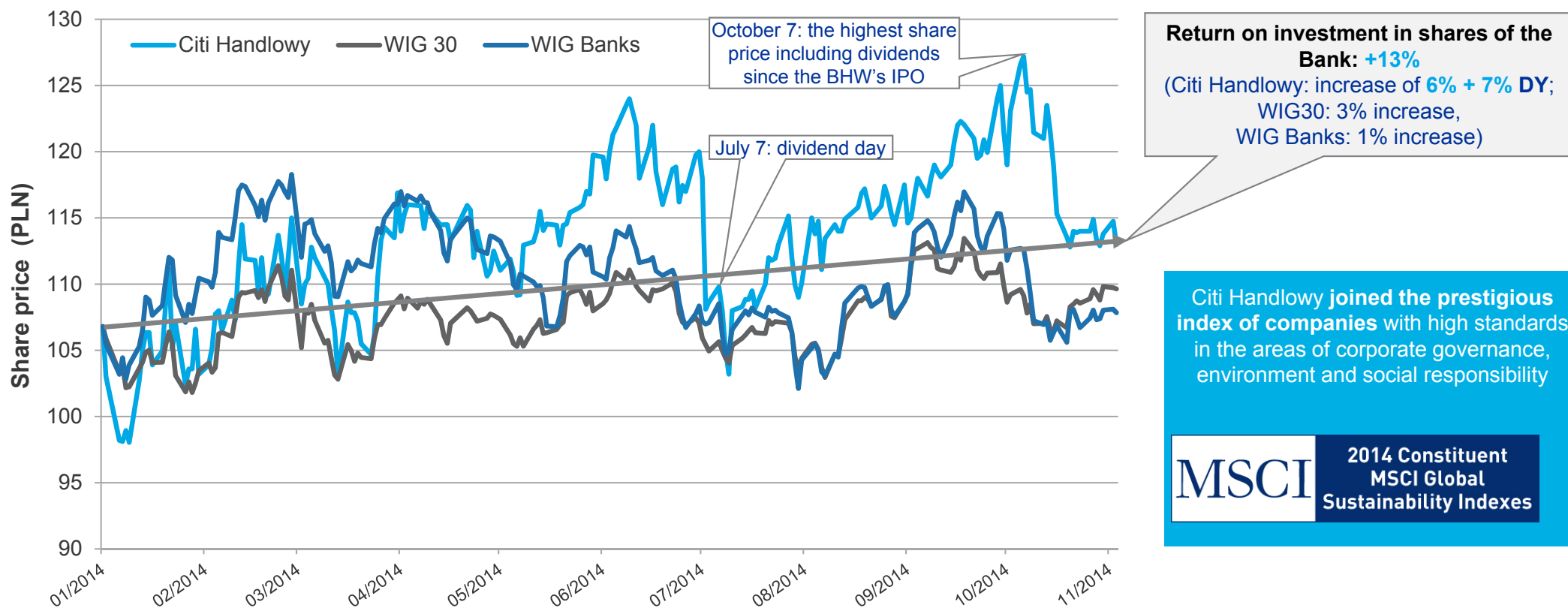
Provision coverage ratio



- A positive trend in Consumer Banking continued – **stabilization of credit cards' and cash loans' portfolio quality**
- **Positive net impairment losses in institutional banking segment** as a result of Bank's proactive policy towards the exposure of a higher level of risk in the MME segment
- Further **NPL ratio improvement**
- **Provision coverage ratio better than sector**

Change in Bank's share price in 2014

Citi Handlowy's share price vs. main indices



Note: The latest listing as of November 4, 2014 (Citi Handlowy: PLN 113.00)

Dividends paid by Citi Handlowy since it's debut on the WSE

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Dividend payout ratio	23%	31%	39%	64%	100%	100%	100%	100%*	80%	86%	77%	0%	94%	100%	50%	75%	100%
Dividend yield	3,1%	1,9%	3,8%	1,7%	2,3%	2,6%	3,1%	18,7%	5,6%	5,8%	4,5%	-	7,1%	7,1%	3,3%	7,1%	7,0%

* Payout ratio related only to 2004 net profit, excluding special dividend

Appendix

Income statement – Bank

PLN MM	3Q13	4Q13	1Q14	2Q14	3Q14	3Q14 vs. 2Q14		3Q14 vs. 3Q13	
						PLN MM	%	PLN MM	%
Net interest income	306	298	293	302	304	2	1%	(2)	(1%)
Interest income	402	390	379	388	386	(2)	(0%)	(16)	(4%)
Interest expenses	(96)	(91)	(86)	(86)	(82)	4	(4%)	14	(15%)
Net fee and commission income	153	161	157	167	144	(23)	(14%)	(9)	(6%)
Dividend income	0	0	-	6	0	(6)	(98%)	(0)	(17%)
Gains on AFS debt securities	32	20	40	66	58	(8)	(12%)	26	80%
FX and professional market	28	83	125	106	66	(40)	(38%)	38	134%
Hedge accounting	-	2	(1)	-	0	0	-	0	-
Treasury	60	105	164	172	124	(48)	(28%)	64	106%
Net gain on equity investment instruments	-	-	3	-	1	1	-	1	-
Net other operating income	(1)	(9)	3	5	4	(1)	(13%)	5	-
Revenue	519	555	621	651	577	(74)	(11%)	59	11%
Expenses	(296)	(357)	(296)	(310)	(286)	24	(8%)	10	(3%)
Depreciation	(17)	(19)	(18)	(18)	(18)	0	(1%)	(1)	3%
Expenses and depreciation	(313)	(376)	(314)	(328)	(304)	25	(7%)	9	(3%)
Operating margin	206	179	306	323	273	(49)	(15%)	68	33%
Net impairment losses	(2)	19	2	(4)	8	12	-	9	-
EBIT	205	198	309	319	282	(37)	(12%)	77	38%
Corporate income tax	(40)	(46)	(61)	(53)	(53)	(1)	2%	(14)	35%
Net profit	165	152	248	266	228	(38)	(14%)	63	38%
C/I ratio	60%	68%	51%	50%	53%				

Corporate Banking – income statement

PLN MM	3Q13	4Q13	1Q14	2Q14	3Q14	3Q14 vs. 2Q14		3Q14 vs. 3Q13	
						PLN MM	%	PLN MM	%
Net interest income	147	136	132	137	132	(5)	(4%)	(15)	(10%)
Interest income	221	208	199	203	194	(9)	(5%)	(27)	(12%)
Interest expenses	(74)	(72)	(67)	(66)	(62)	4	(6%)	12	(16%)
Net fee and commission income	66	73	69	73	66	(7)	(9%)	0	1%
Dividend income	0	0	-	2	0	(2)	(95%)	(0)	-
Gains on AFS debt securities	32	20	40	66	58	(8)	(12%)	26	80%
FX and professional market	19	75	118	98	57	(41)	(42%)	38	195%
Hedge accounting	-	2	(1)	-	0	0	-	0	-
Treasury	51	97	157	164	115	(48)	(30%)	64	124%
Net gain on equity investment instruments	-	-	3	-	1	1	-	1	-
Net other operating income	5	2	11	9	10	1	6%	5	96%
Revenue	269	308	371	385	324	(61)	(16%)	55	20%
Expenses	(129)	(139)	(129)	(137)	(119)	17	(13%)	10	(8%)
Depreciation	(6)	(6)	(6)	(6)	(6)	(0)	1%	0	(7%)
Expenses and depreciation	(135)	(146)	(135)	(142)	(125)	17	(12%)	10	(8%)
Operating margin	134	162	236	243	199	(44)	(18%)	65	49%
Net impairment losses	3	(8)	(2)	0	12	12	-	9	-
EBIT	137	154	234	243	212	(32)	(13%)	74	54%
C/I ratio	50%	47%	36%	37%	39%				

Consumer Banking – income statement

PLN MM	3Q13	4Q13	1Q14	2Q14	3Q14	3Q14 vs. 2Q14		3Q14 vs. 3Q13	
						PLN MM	%	PLN MM	%
Net interest income	159	162	161	165	172	7	4%	13	8%
Interest income	182	182	180	185	192	8	4%	11	6%
Interest expenses	(22)	(19)	(19)	(20)	(20)	(0)	2%	2	(10%)
Net fee and commission income	87	88	88	94	78	(16)	(17%)	(9)	(10%)
Dividend income	-	-	-	4	-	(4)	-	-	-
FX and professional market	9	8	8	8	9	1	9%	(0)	(2%)
Net other operating income	(6)	(12)	(8)	(4)	(6)	(1)	25%	0	(2%)
Revenue	249	247	250	266	253	(13)	(5%)	4	2%
Expenses	(167)	(218)	(167)	(174)	(167)	7	(4%)	(0)	0%
Depreciation	(11)	(12)	(12)	(12)	(12)	0	(2%)	(1)	9%
Expenses and depreciation	(178)	(230)	(179)	(186)	(179)	7	(4%)	(1)	1%
Operating margin	72	16	70	80	75	(6)	(7%)	3	4%
Net impairment losses	(5)	27	5	(5)	(4)	1	(7%)	1	(5%)
EBIT	67	44	75	75	70	(5)	(7%)	3	4%
C/I ratio	71%	93%	72%	70%	71%				

Balance sheet

PLN B	End of period					3Q14 vs. 2Q14		3Q14 vs. 4Q13	
	3Q13	4Q13	1Q14	2Q14	3Q14	PLN B	%	PLN B	%
Cash and balances with the Central Bank	2.4	0.8	2.0	1.2	0.7	(0.6)	(45%)	(0.1)	(14%)
Amounts due from banks	2.5	3.5	4.1	4.6	2.6	(2.0)	(43%)	(0.9)	(25%)
Financial assets held-for-trading	6.4	5.8	7.6	7.0	10.8	3.8	54%	5.0	87%
Debt securities available-for-sale	15.8	17.6	13.4	12.9	15.8	2.9	23%	(1.8)	(10%)
Customer loans	16.8	15.2	18.0	17.0	17.7	0.7	4%	2.4	16%
Financial sector entities	2.1	0.7	2.6	1.2	1.3	0.0	4%	0.6	77%
including reverse repo receivables	1.4	0.1	2.0	0.6	0.7	0.1	18%	0.6	-
Non-financial sector entities	14.8	14.5	15.4	15.8	16.4	0.6	4%	1.9	13%
Corporate Banking	9.6	9.2	10.0	10.1	10.6	0.4	4%	1.3	14%
Consumer Banking	5.2	5.3	5.4	5.6	5.8	0.2	3%	0.5	10%
Unsecured receivables	4.2	4.2	4.3	4.5	4.6	0.1	3%	0.4	10%
Credit cards	2.0	2.0	2.0	2.1	2.1	0.1	3%	0.1	7%
Cash loans	2.1	2.2	2.2	2.4	2.4	0.1	3%	0.3	13%
Other unsecured receivables	0.1	0.1	0.1	0.1	0.1	(0.0)	(9%)	(0.0)	(1%)
Mortgage	1.0	1.1	1.1	1.1	1.2	0.1	4%	0.1	12%
Other assets	3.3	2.5	2.9	2.7	2.7	0.1	3%	0.3	11%
Total assets	47.2	45.4	48.0	45.4	50.3	4.9	11%	4.9	11%
Liabilities due to banks	7.6	6.4	6.9	4.1	8.8	4.7	117%	2.4	38%
Financial liabilities held-for-trading	5.4	4.2	5.2	5.8	6.4	0.6	11%	2.2	53%
Financial liabilities due to customers	25.4	26.6	26.6	26.3	26.4	0.1	1%	(0.1)	(0%)
Financial sector entities - deposits	3.9	3.3	4.1	4.6	4.7	0.1	1%	1.4	43%
Non-financial sector entities - deposits	20.5	22.8	21.1	21.2	21.1	(0.2)	(1%)	(1.8)	(8%)
Corporate Banking	13.7	15.9	13.8	13.9	13.7	(0.2)	(1%)	(2.2)	(14%)
Consumer Banking	6.8	6.9	7.2	7.4	7.4	0.0	0%	0.5	7%
Other financial liabilities	0.9	0.5	1.4	0.5	0.7	0.2	54%	0.2	47%
Other liabilities	1.7	0.9	1.8	2.3	1.4	(0.9)	(39%)	0.5	50%
Total liabilities	40.1	38.1	40.5	38.4	43.1	4.6	12%	5.0	13%
Equity	7.1	7.3	7.5	6.9	7.2	0.3	4%	(0.1)	(1%)
Total liabilities & equity	47.2	45.4	48.0	45.4	50.3	4.9	11%	4.9	11%
Loans / Deposits ratio	72%	64%	73%	74%	78%				
Capital Adequacy Ratio	16.7%	17.5%	16.6%	17.0%	16.4%				