



Bank Handlowy w Warszawie S.A. 3Q consolidated financial results

November 14, 2016

www.citihandlowy.pl

Bank Handlowy w Warszawie S.A.

citi handlowy[®]

Modern and safe Bank

Financial results

- **3Q net profit: PLN 145 MM, +3% YoY**
- **Revenue increase** in challenging market environment: PLN **512 MM, +11% YoY**
- **Operational expenses under control: PLN 288 MM, -4% YoY**
- **Profitability ratios above sector: ROA = 1.3%**
vs. **0.7%** banking sector, ROTE = **11.8%**
vs. **6.6%** banking sector

Volumes increase

- **Loan volumes increase +3% YoY**
 - Institutional clients **+3% YoY (+7% YTD)**
 - Retail clients **+3% YoY (+3% YTD)**
- **Demand deposits volume growth +15% YoY**
 - Institutional clients **+12% YoY**
 - Retail clients **+19% YoY**

Business development

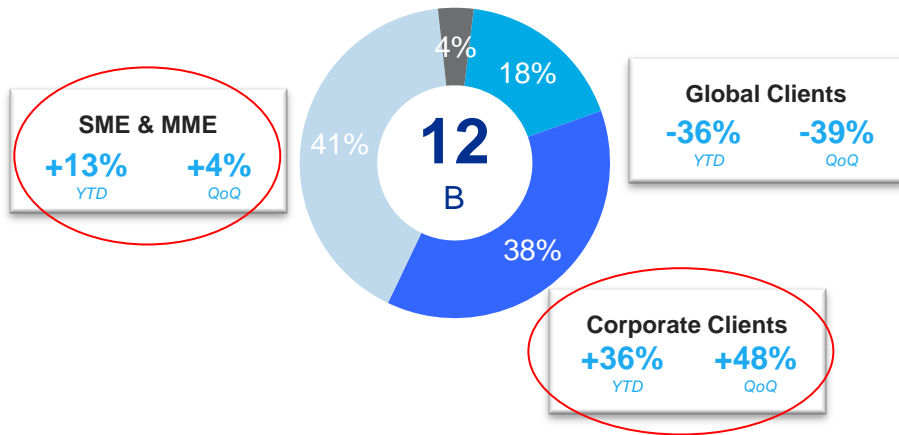
- **FX volume growth continued +5% QoQ, +6% vs. Q1'2016**
- **Participation in key transactions** of institutional clients
- Investment products **sale increase +20% YoY**
- Credit card **acquisition growth +43% YoY**

Equity and safety

- **Strong capital position** allowing continuation of dividend policy, Tier1 ratio **17.1% (+6.85 p.p. above regulatory requirement)**
- **Low level** of non-performing loans ratio **NPL = 3.1% vs. 6.4% banking sector**

Solid foundations of Institutional Banking

Systematic build-up of credit portfolio +7% YTD

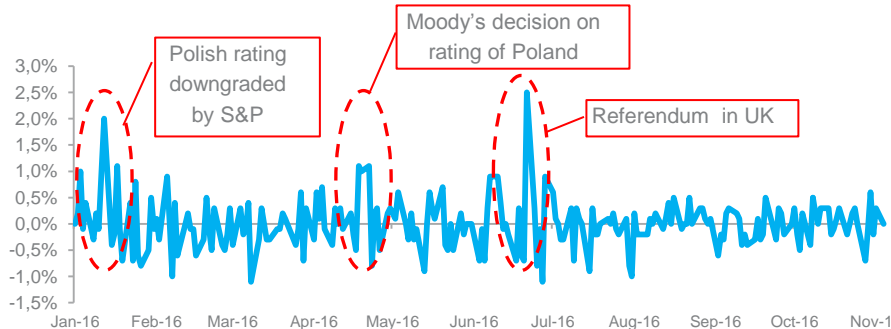


Participation in key transactions

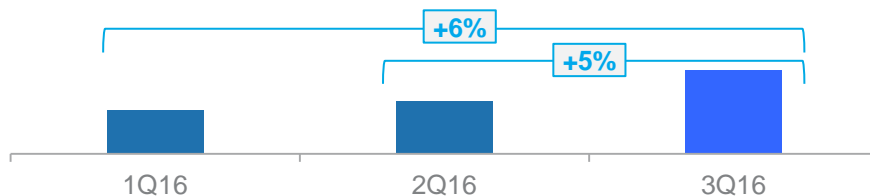
Company from banking sector	Company from banking sector	European Investment Bank
PLN 1.25 B	PLN 3.3 B	PLN 1.1 B
citi handlowy	Dom Maklerski citi handlowy	citi handlowy
Securitization	Joint Bookrunner	Joint Lead Manager

Systematic business development

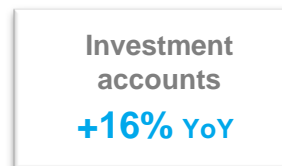
High volatility on FX market (EUR/PLN)



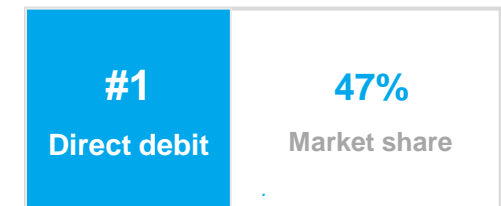
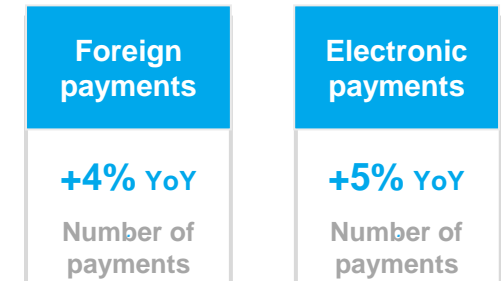
FX turnover volume



#1 Brokerage House



Transactional banking



Growth in strategic retail banking areas

Wealth management

Investment products sale

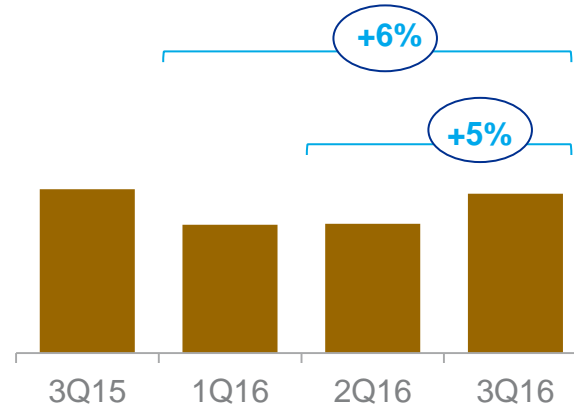
+28%
YoY

Citigold Private Client

+14%
YoY

Citigold

Assets under management



Rewards



Best banks ranking according to „Parkiet”

Prize in category of: „Good Bank for demanding clients”

Smart banking strategy realization

CitiBank Online

Nadchodzi nowy Citibank® Online!
Testuj go razem z nami!

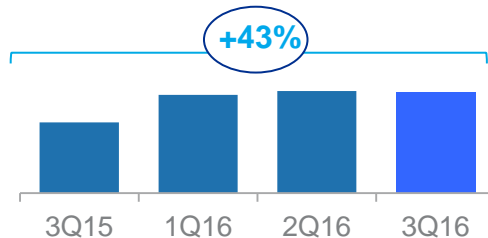


II phase implemented in September – addresses most frequent reasons of calls to Bank:

- ✓ Credit card blocking
- ✓ Instalment products management
- ✓ Exchange of documentation between Bank and Client

Credit cards

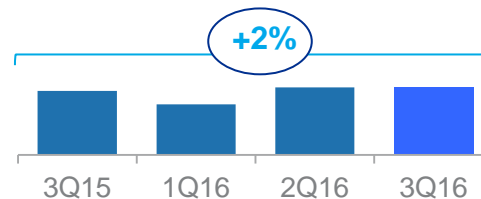
Credit cards sale



25.4%

Credit card market share

Value of cashless payments with Citi Handlowy cards

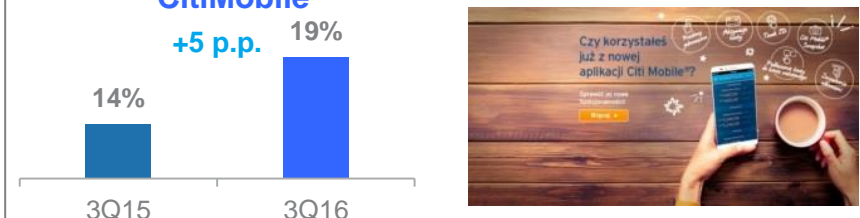


+65% Acquisition growth in internet channel YoY

32% Share of internet channels in credit card acquisition

CitiMobile

+5 p.p.

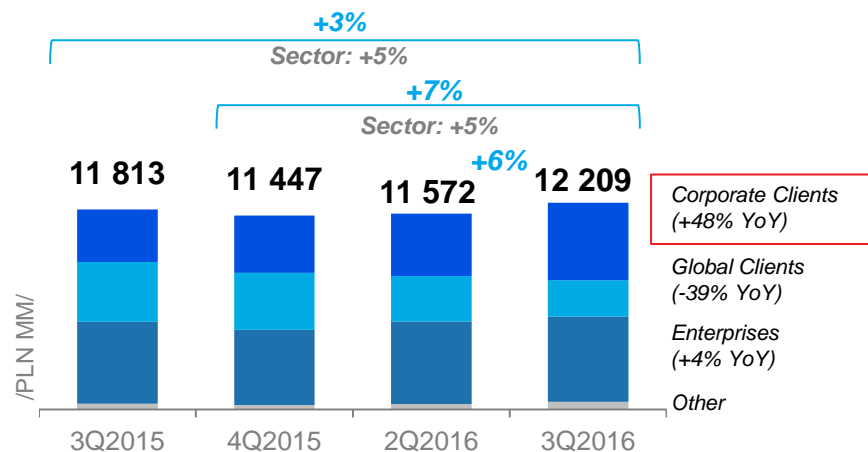


% mobile banking users among transactional active clients

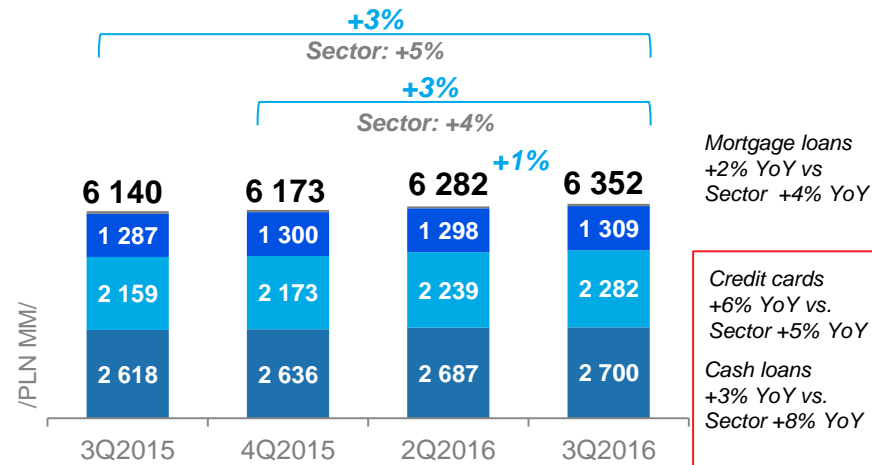
Client volumes

Institutional clients loans – non banking sector

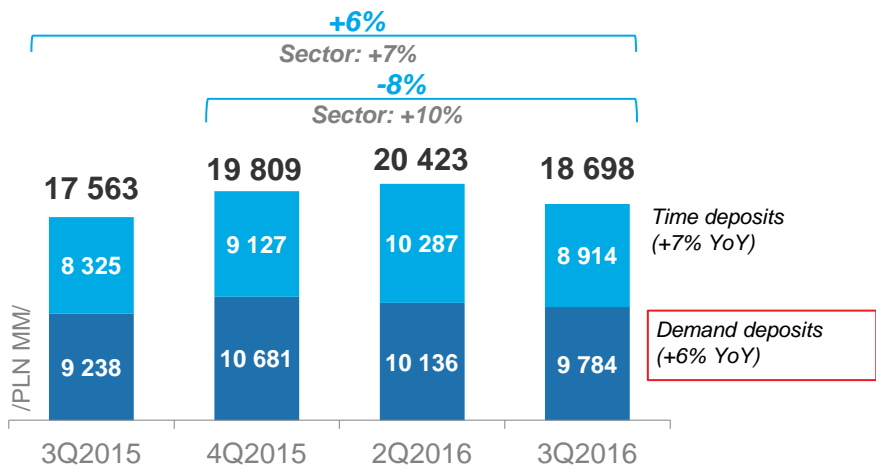
(excl. reverse repo)



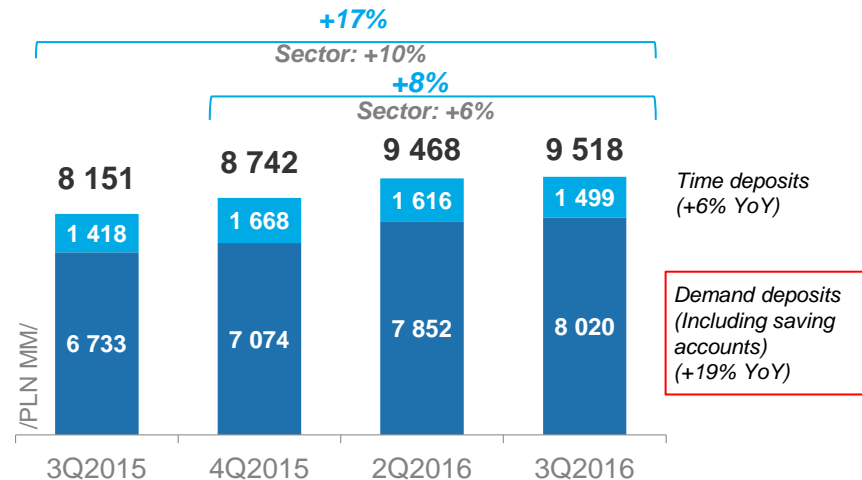
Individual clients loans



Institutional clients deposits – non banking sector



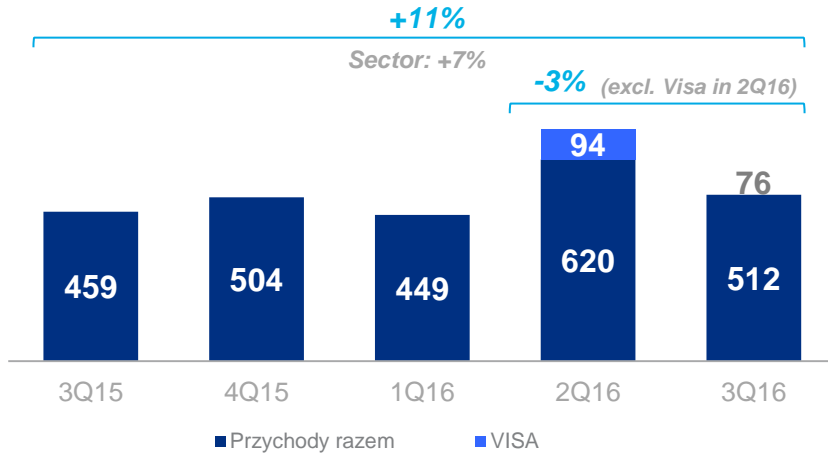
Individual clients deposits



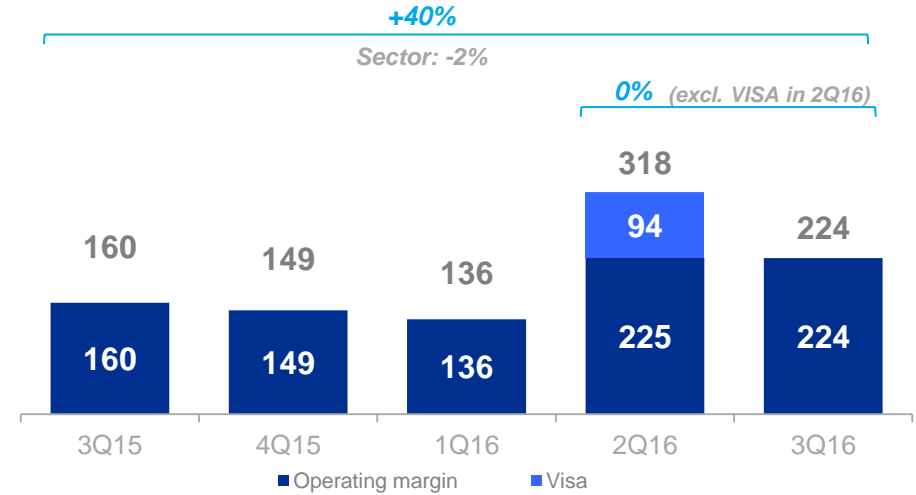
Note: Excluding public sector deposits

Net income and revenue

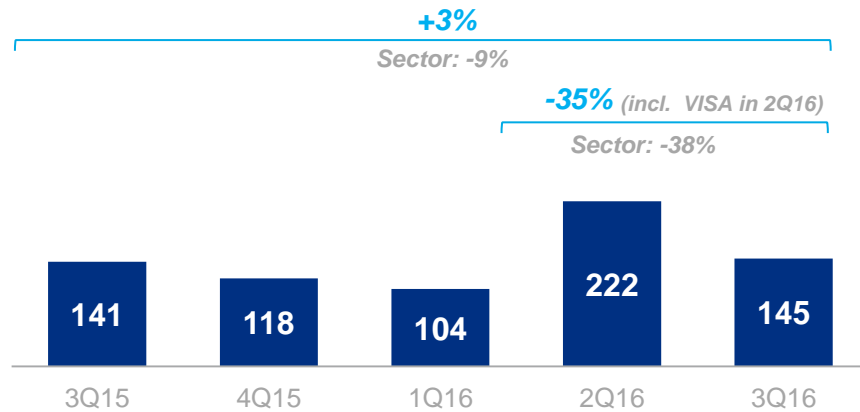
Revenue (PLN MM)



Operating Margin (PLN MM)



Net income (PLN MM)



3Q'16 key financial ratios

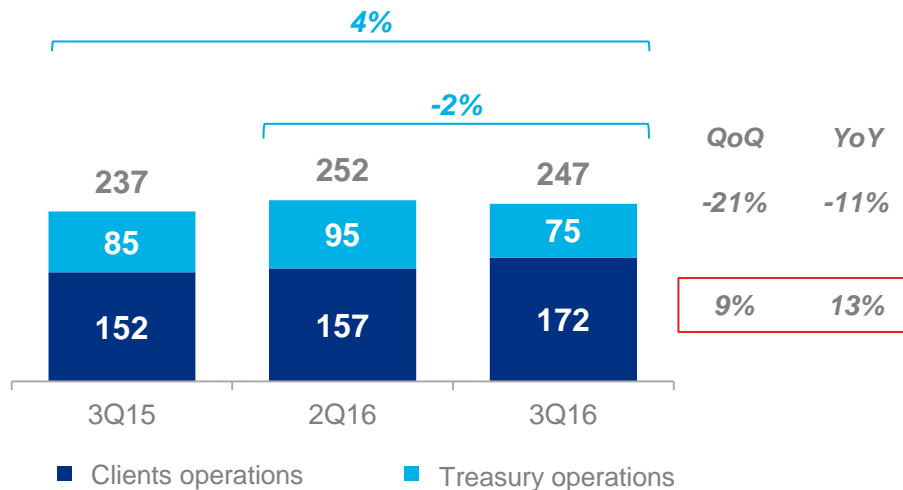
	Bank*	Sector
ROA	1.3%	0.7%
ROTE	11.8%	6.6%
Tier 1**	17.1%	15.8%
NPL	3.1%	6.4%

* Ratios calculated on the basis of consolidated net income

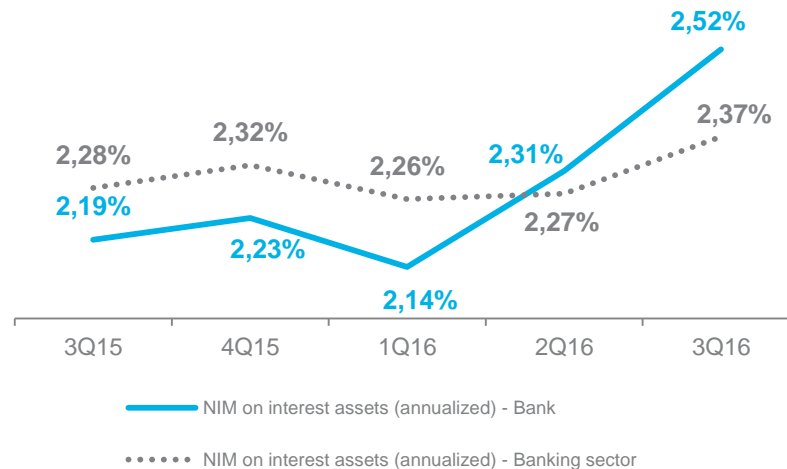
** Tier1 ratio for banking sector as end of 1H'16 (no data for 3Q'16)

Revenue split

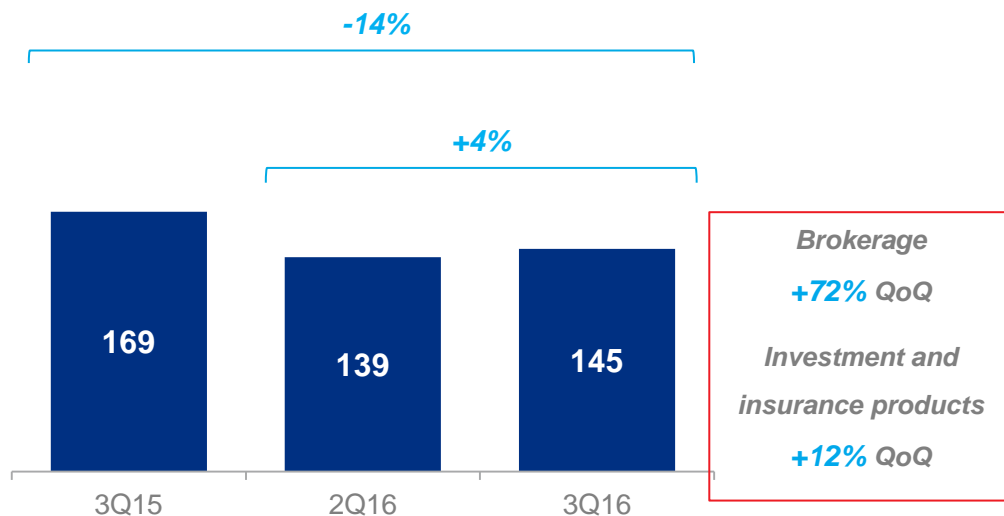
Net interest income (PLN MM)



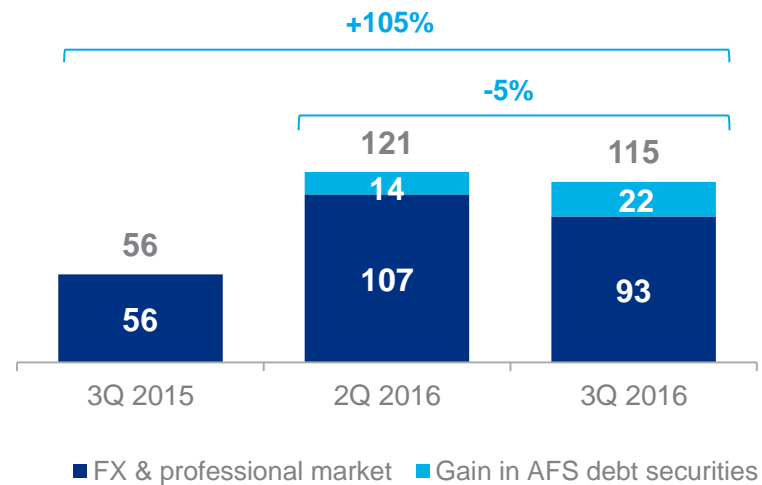
Net interest margin – Bank vs. sector



Net fee & commission income (PLN MM)

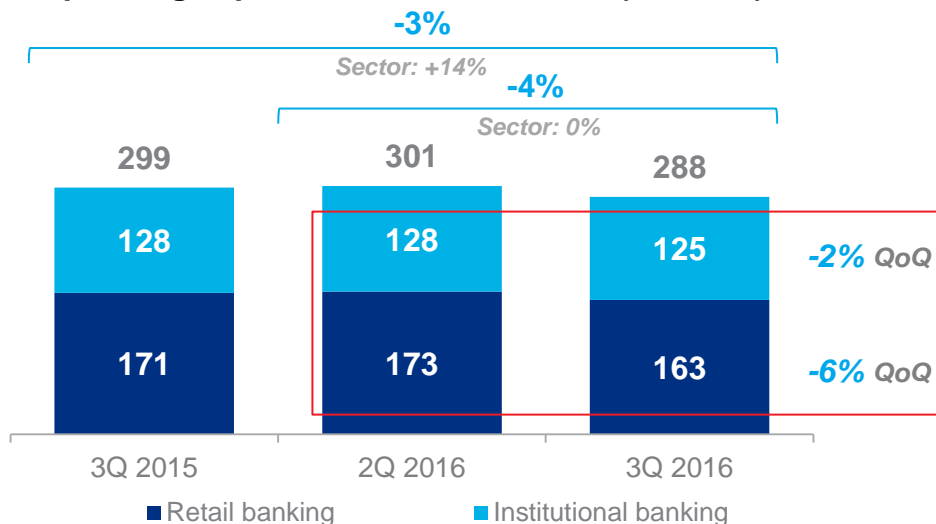


Treasury result (PLN MM)

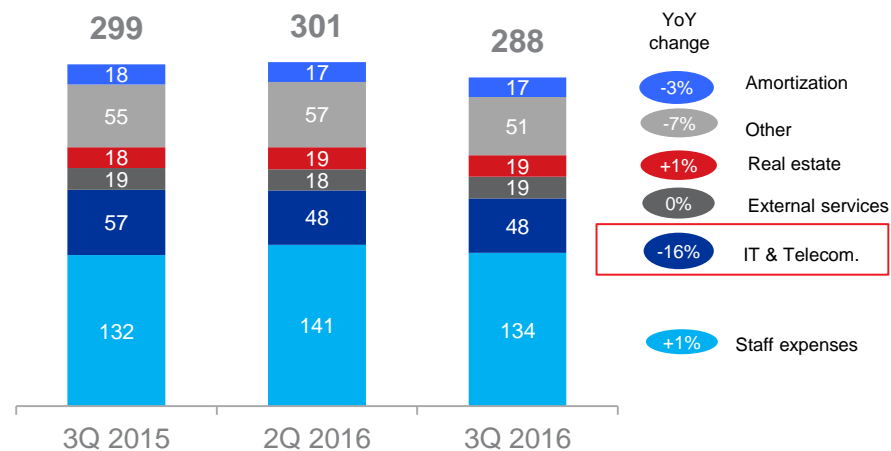


Operating expenses and cost of risk

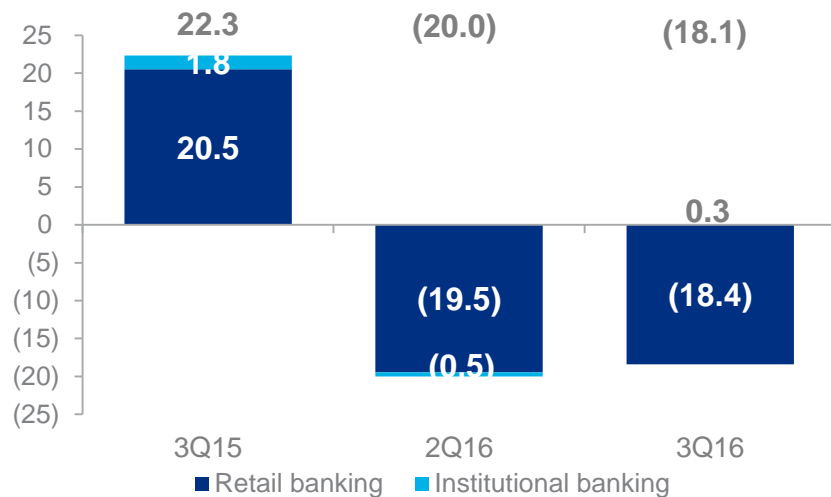
Operating expenses and amortization (PLN MM)



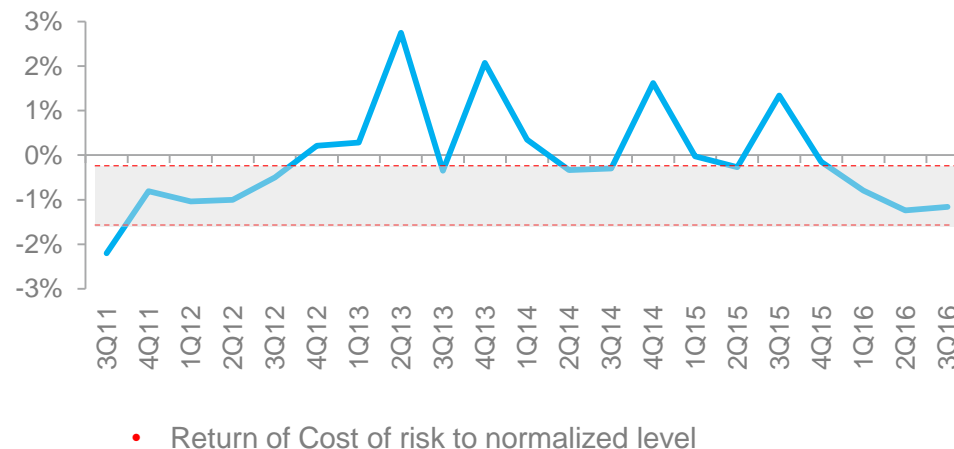
Operating expenses and amortization (PLN MM) by category



Net impairment result (PLN MM)

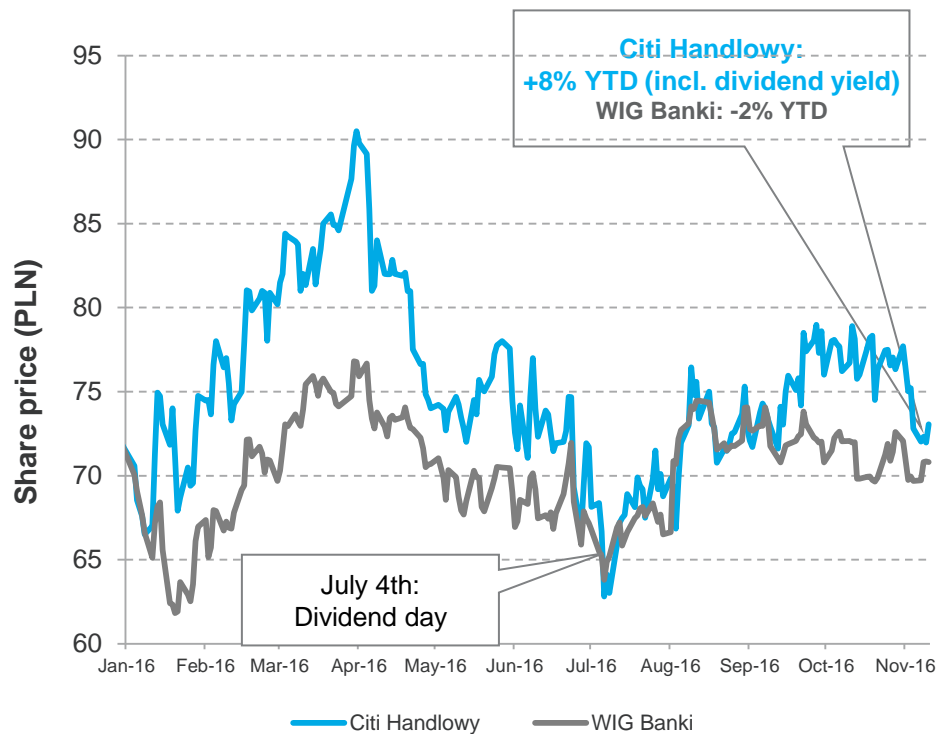


Retail banking cost of risk



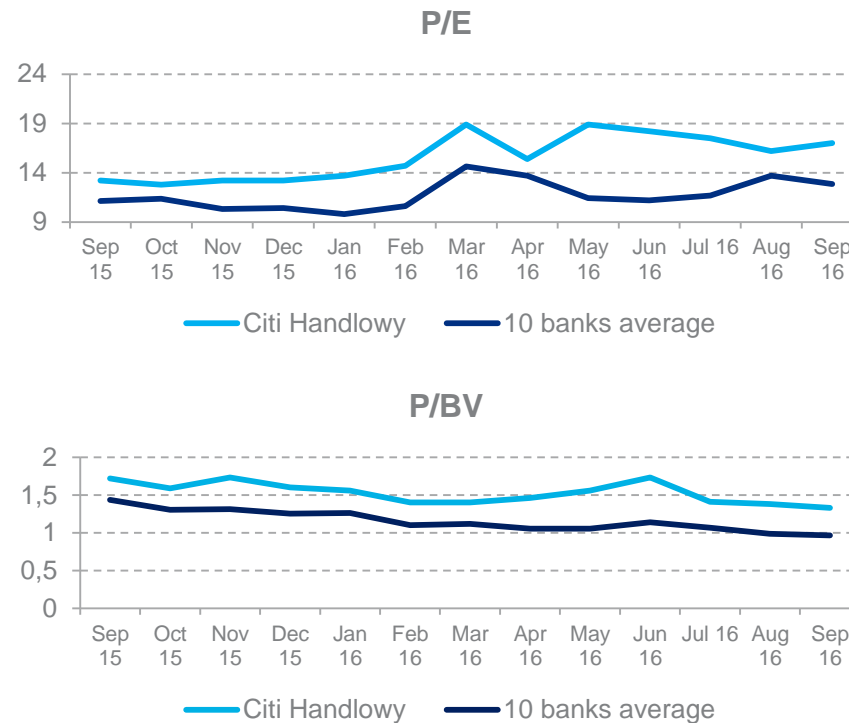
Change in Bank's share price

Citi Handlowy share price vs. WIG Banks index since the beginning of 2016



Note: Last quotation from November 10, 2016 (Citi Handlowy: PLN 73.06)

P/E & P/BV ratios in 12M horizon



Dividends paid by Citi Handlowy (2009-2015)

	2009	2010	2011	2012	2013	2014	2015
Dividend yield	7.1%	7.1%	3.3%	7.1%	7.0%	7.4%	6.4%

Summary

1

Global presence supported by **strong capital and liquidity position** enabling clients to realize their goals even in difficult market environment.

2

Investment in **digitalization and automatization** of customer service and solutions based on changes in clients' behavior and needs.

3

Unique solutions meeting complex needs of institutional clients based on expert knowledge and Bank's infrastructure (i.e. international cash management, securitization, M&A transactions).

Appendix

Profit and loss account - Total Bank

PLN MM	3Q15	4Q15	1Q16	2Q16	3Q16	3Q16 vs. 2Q16		3Q16 vs. 3Q15	
						PLN MM	%	PLN MM	%
Net interest income	237	243	247	252	247	(5)	(0)	11	0
Net fee and commission income	169	153	143	139	145	5	4%	(24)	(14%)
Dividend income	0	0	0	7	1	(7)	-	0	207%
Gains on AFS debt securities	-	26	7	14	22	7	52%	22	-
FX and professional market	56	79	38	107	93	(14)	(13%)	37	66%
Hedge accounting	4	3	4	3	0	(3)	(86%)	(4)	(89%)
Treasury	60	109	49	125	115	(9)	(8%)	55	91%
Net gain on equity investment instruments	2	-	-	94	2	(92)	(98%)	(1)	(31%)
Net other operating income	(9)	(1)	10	2	2	0	11%	11	-
Revenue	459	504	449	620	512	(108)	(17%)	52	11%
Expenses	(282)	(337)	(295)	(284)	(271)	13	(5%)	11	(4%)
Depreciation	(18)	(18)	(19)	(17)	(17)	0	(1%)	1	(3%)
Expenses and depreciation	(299)	(355)	(313)	(301)	(288)	13	(4%)	11	(4%)
Operating margin	160	149	136	318	224	(95)	(30%)	64	40%
Profit/(loss) on sale of tangible fixed assets	0	0	0	0	0	(0)	(90%)	0	33%
Net impairment losses	22	0	6	(20)	(18)	2	(10%)	(40)	-
Share in profits / (losses) of entities valued at the equity method	0	(0)	(0)	0	0	(0)	(91%)	(0)	(86%)
Tax on certain financial institutions	-	-	(13)	(18)	(19)	(0)	2%	(19)	-
EBIT	183	149	128	280	187	(93)	(33%)	4	2%
Corporate income tax	(42)	(31)	(24)	(58)	(42)	16	(28%)	(0)	1%
Net profit	141	118	104	222	145	(77)	(35%)	4	3%
C/I ratio	65%	70%	70%	49%	56%				

Institutional Banking - profit and loss account

PLN MM	3Q15	4Q15	1Q16	2Q16	3Q16	3Q16 vs. 2Q16		3Q16 vs. 3Q15	
						PLN MM	%	PLN MM	%
Net interest income	98	106	107	113	104	(9)	(8%)	6	6%
Net fee and commission income	75	68	66	67	74	7	11%	(0)	(1%)
Dividend income	0	0	0	1	0	(0)	(43%)	0	194%
Gains on AFS debt securities	-	26	7	14	22	7	52%	22	-
FX and professional market	47	76	30	98	86	(12)	(13%)	39	82%
Hedge accounting	4	3	4	3	0	(3)	(86%)	(4)	(89%)
Treasury	52	105	41	116	108	(8)	(7%)	56	109%
Net gain on equity investment instruments	2	-	-	27	2	(26)	(94%)	(1)	(31%)
Net other operating income	3	7	9	5	6	1	18%	3	72%
Revenue	231	286	224	330	295	(35)	(11%)	64	28%
Expenses	(122)	(164)	(129)	(123)	(120)	3	(2%)	2	(2%)
Depreciation	(6)	(6)	(6)	(5)	(5)	0	(2%)	1	(11%)
Expenses and depreciation	(128)	(169)	(134)	(128)	(125)	3	(2%)	3	(2%)
Operating margin	103	117	89	202	170	(32)	(16%)	67	65%
Profit/(loss) on sale of tangible fixed assets	0	0	0	0	0	(0)	-	(0)	-
Net impairment losses	2	3	18	(1)	0	1	-	(1)	(81%)
Tax on certain financial institutions	-	-	(10)	(13)	(14)	(1)	4%	(14)	-
Share in profits / (losses) of entities valued at the equity method	0	(0)	(0)	0	0	(0)	(91%)	(0)	(86%)
EBIT	105	120	97	188	156	(32)	(17%)	52	49%
C/I ratio	55%	59%	60%	39%	42%				

Retail Banking - profit and loss account

PLN MM	3Q15	4Q15	1Q16	2Q16	3Q16	3Q16 vs. 2Q16		3Q16 vs. 3Q15	
						PLN MM	%	PLN MM	%
Net interest income	138	137	140	139	143	4	3%	5	3%
Net fee and commission income	94	85	77	72	70	(2)	(2%)	(24)	(25%)
Dividend income	-	-	-	6	0	(6)	(100%)	0	-
FX and professional market	9	3	8	9	7	(2)	(18%)	(2)	(18%)
AFS Non-Treasury (equity instruments)	-	-	-	66	-	(66)	(100%)	-	-
Net other operating income	(12)	(8)	1	(3)	(4)	(1)	23%	9	(71%)
Revenue	229	217	226	223	217	(6)	(3%)	(12)	(5%)
Expenses	(160)	(174)	(166)	(161)	(151)	10	(6%)	9	(5%)
Depreciation	(12)	(12)	(13)	(12)	(12)	0	(0%)	(0)	1%
Expenses and depreciation	(171)	(185)	(179)	(173)	(163)	10	(6%)	9	(5%)
Operating margin	57	32	47	50	54	4	8%	(3)	(6%)
Net impairment losses	21	(2)	(12)	(19)	(18)	1	(5%)	(39)	-
Tax on certain financial institutions	-	-	(3)	(5)	(5)	0	(1%)	(5)	-
EBIT	78	29	31	92	31	(61)	(67%)	(47)	(61%)
C/I ratio	75%	85%	79%	78%	75%				

Balance sheet

PLN B	End of period					3Q16 vs. 4Q15		3Q16 vs. 3Q15	
	3Q15	4Q15	1Q16	2Q16	3Q16	PLN B	%	PLN B	%
Cash and balances with the Central Bank	1.3	2.2	1.1	0.8	0.9	(1.3)	(58%)	(0.4)	(31%)
Amounts due from banks	1.4	0.8	0.8	0.8	0.6	(0.1)	(16%)	(0.7)	(53%)
Financial assets held-for-trading	8.5	7.0	8.1	2.3	2.7	(4.3)	(61%)	(5.8)	(68%)
Debt securities available-for-sale	17.4	18.4	21.4	19.8	16.7	(1.7)	(9%)	(0.7)	(4%)
Customer loans	18.6	19.0	17.5	17.9	18.6	(0.4)	(2%)	(0.0)	(0%)
Financial sector entities	1.1	2.0	0.7	0.7	1.7	(0.3)	(14%)	0.6	56%
including reverse repo receivables	0.7	1.4	-	0.0	-	(1.4)	(100%)	(0.7)	(100%)
Non-financial sector entities	17.5	16.9	16.8	17.2	16.8	(0.1)	(1%)	(0.7)	(4%)
Institutional Banking	11.3	10.8	10.7	10.9	10.5	(0.3)	(3%)	(0.9)	(8%)
Consumer Banking	6.1	6.2	6.1	6.3	6.4	0.2	3%	0.2	3%
Unsecured receivables	4.9	4.9	4.8	5.0	5.0	0.2	4%	0.2	4%
Credit cards	2.2	2.2	2.1	2.2	2.3	0.1	5%	0.1	6%
Cash loans	2.6	2.6	2.7	2.7	2.7	0.1	2%	0.1	3%
Other unsecured receivables	0.1	0.1	0.1	0.1	0.1	(0.0)	(2%)	(0.0)	(18%)
Mortgage	1.3	1.3	1.3	1.3	1.3	0.0	1%	0.0	2%
Other assets	2.6	2.3	2.6	2.7	2.5	0.2	8%	(0.1)	(4%)
Total assets	49.8	49.5	51.5	44.2	42.0	(7.5)	(15%)	(7.8)	(16%)
Liabilities due to banks	8.6	7.0	10.6	2.4	2.4	(4.6)	(66%)	(6.2)	(72%)
Financial liabilities held-for-trading	6.1	3.2	1.8	1.6	1.2	(2.0)	(63%)	(4.9)	(80%)
Financial liabilities due to customers	27.1	31.6	30.8	31.5	30.5	(1.1)	(3%)	3.4	13%
Financial sector entities - deposits	3.3	3.4	4.3	4.6	4.8	1.4	43%	1.5	46%
Non-financial sector entities - deposits	23.7	27.9	26.3	26.8	25.6	(2.3)	(8%)	1.9	8%
Institutional Banking	15.5	19.2	17.2	17.4	16.1	(3.1)	(16%)	0.5	3%
Consumer Banking	8.2	8.7	9.1	9.5	9.5	0.8	9%	1.4	17%
Other financial liabilities	1.0	0.3	0.1	0.3	0.1	(0.2)	(65%)	(0.9)	(89%)
Other liabilities	1.3	0.9	1.4	2.2	1.2	0.3	35%	(0.1)	(10%)
Total liabilities	43.1	42.7	44.5	37.6	35.3	(7.4)	(17%)	(7.8)	(18%)
Equity	6.7	6.9	7.1	6.6	6.7	(0.1)	(2%)	0.0	0%
Total liabilities & equity	49.8	49.5	51.5	44.2	42.0	(7.5)	(15%)	(7.8)	(16%)
Loans / Deposits ratio	74%	61%	64%	64%	66%				
Capital Adequacy Ratio	16.2%	17.1%	17.5%	17.0%	17.1%				
NPL*	3.9%	3.2%	3.4%	3.3%	3.1%				

*as reported, incl. reverse repo