

Bank Handlowy w Warszawie S.A.

Consolidated financial results for 1Q 2017

April 28th, 2017

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

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.

1Q 2017 summary

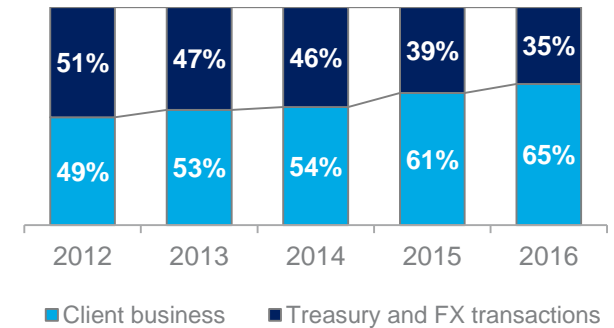
Citi Handlowy results

- Net profit: **PLN 43 MM**
- Revenues: **PLN 467 MM, +4% YoY**
- Operating margin: **PLN 188 MM, +22% YoY** (excl. contribution to BFG)

Treasury

- Policy taking into account current **interest rates cycle**
- Risk management focused on **safety** and strong **capital position**

Share of business lines in Bank's revenues



Development in strategic areas

Institutional banking

- Client volumes growth
- Leading position on financial markets
- Bank of first choice for global clients

Retail banking

- Transformation setting new trends in Retail Banking successfully completed.
- Balanced distribution model using all available sale channels:
 - Internet
 - Telephone
 - Smart Ecosystem

Strategic investment

- Marketing campaigns aimed at Citi Handlowy Brand strengthening
- Investments in technology:
 - Introduction of Redesign+ new transactional platform
 - Implementation of internet sale tools

Institutional Banking

Bank of first choice for global clients



415 clients (+ 12 YoY)

Program Emerging Market Champions
citi handlowy

Key transactions

- Increased activity on M&A market connected with planned ownership changes

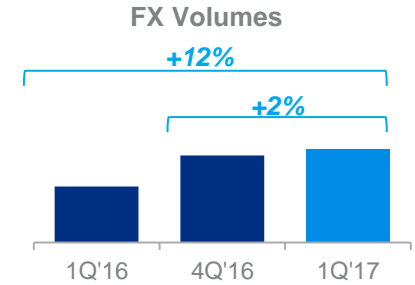
Private Equity Fund/ Grocery store
LBO, acquisition finance

Role of Citi Handlowy

Joint Underwriter, Bookrunner, Mandated Lead Arranger

Leader in FX transactions

- 80% of FX transactions was made through **CitiFX Pulse** platform
- Unique solution on the market** – money transfer in more than **130 currencies** without FX accounts opening obligation



"FX Market Pulse" Application

- News application for Citi FX Pulse users

Digitalization

Convenience and safety

Access with one log-in

- FX Pulse and Citi Direct integration through Single Sign-On



CitiMobile Pass

- Access to CitiDirect through token in application



Robotics

- Pilot of robotics solutions in operations

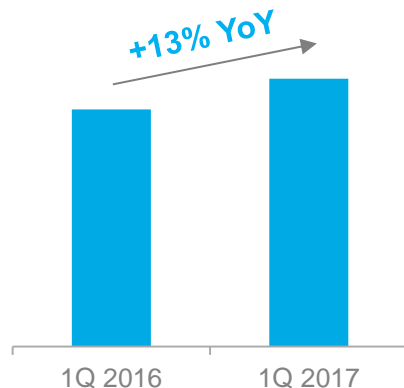
Retail Banking

Modern distribution model

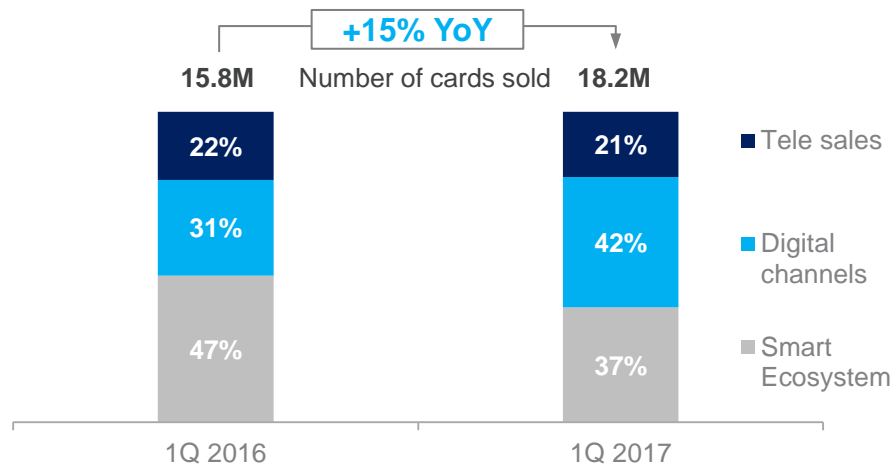
New Wealth Management model

- HUBs for Citigold and CPC clients
- Increased RM's mobility – digital tools (CitiPlanner)

Assets under management



Credit cards acquisition structure by sales channels



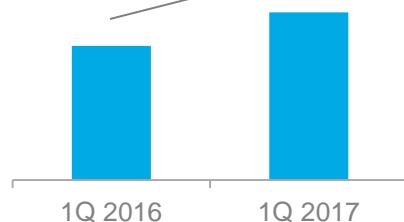
Digitalization

New Citibank Online



Increase of active online users

+25% YoY



- "Agile" innovative methodology allowing for dynamic adjustment along with changing customers needs
- 99% of transactions made through remote channels

Investments in brand and high quality of services



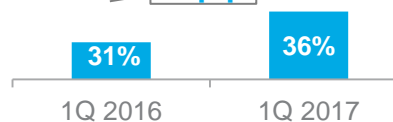
- 70% of bicycles for rent in Poland
- 800 ths. bicycles rented in March 2017 – almost 3 times more than a year before

Credit card with easier borrowing option – advertisement campaign



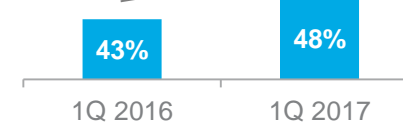
NPS Citigold

+5 p.p.



NPS Smart

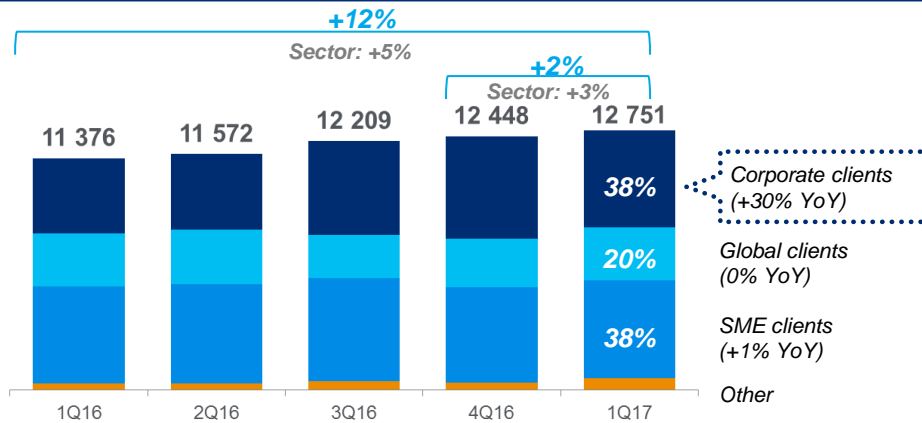
+5 p.p.



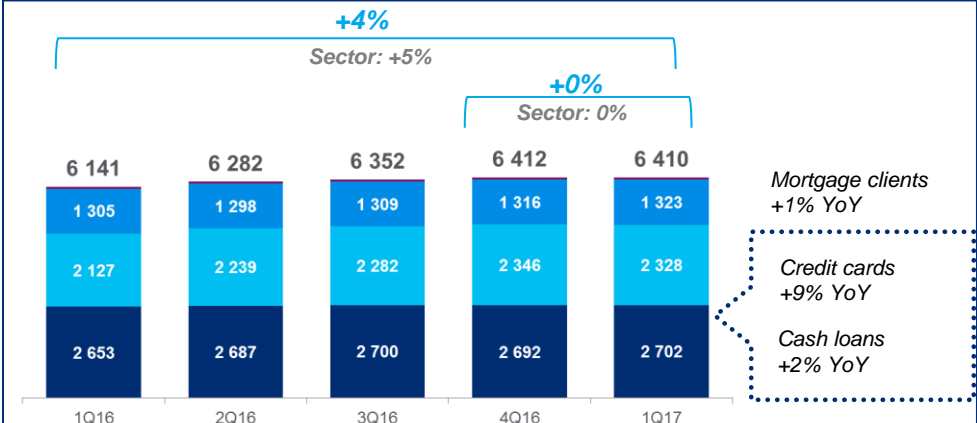
Client volumes

Institutional clients loans – non banking sector

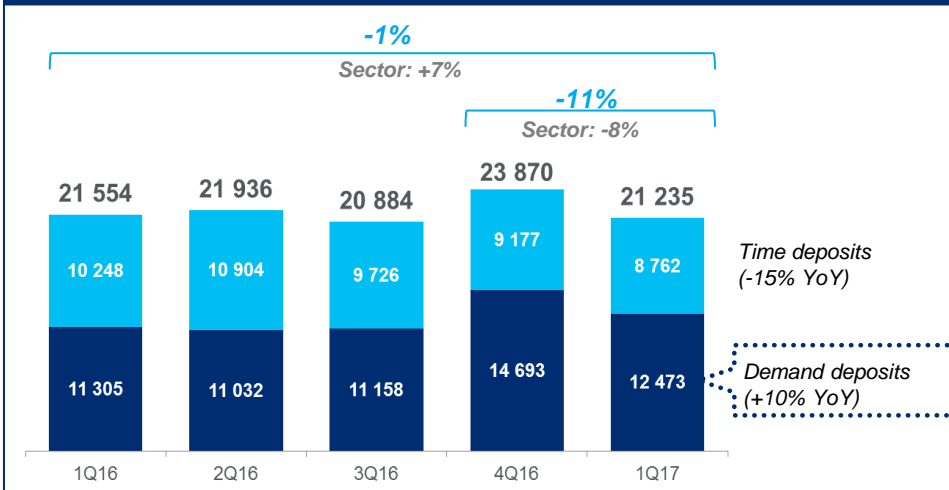
(excl. reverse repo)



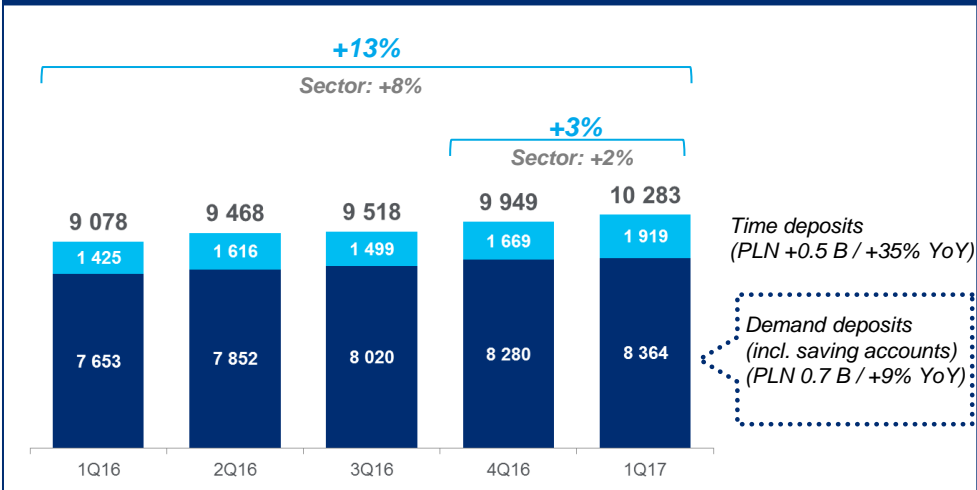
Individual clients loans



Institutional clients deposits – non banking sector

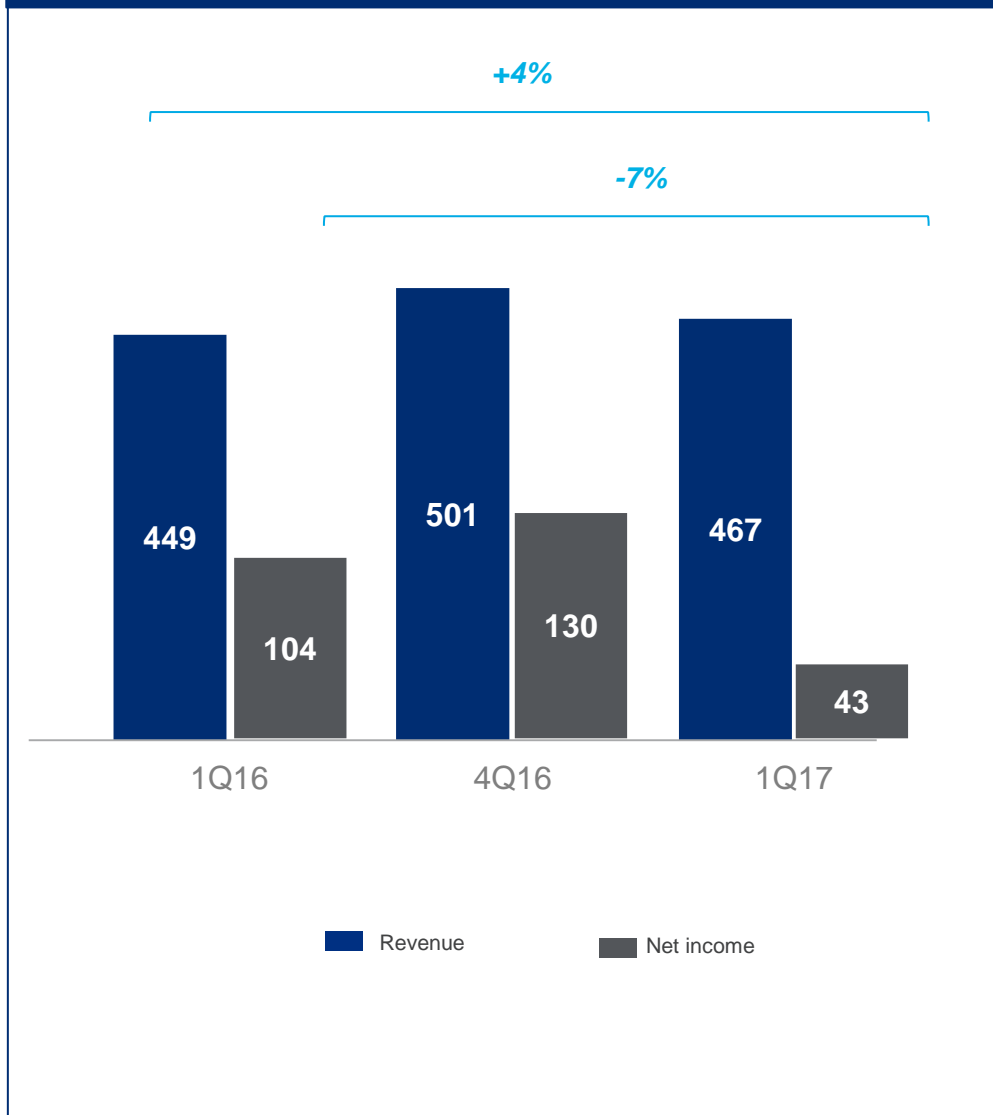


Individual clients deposits

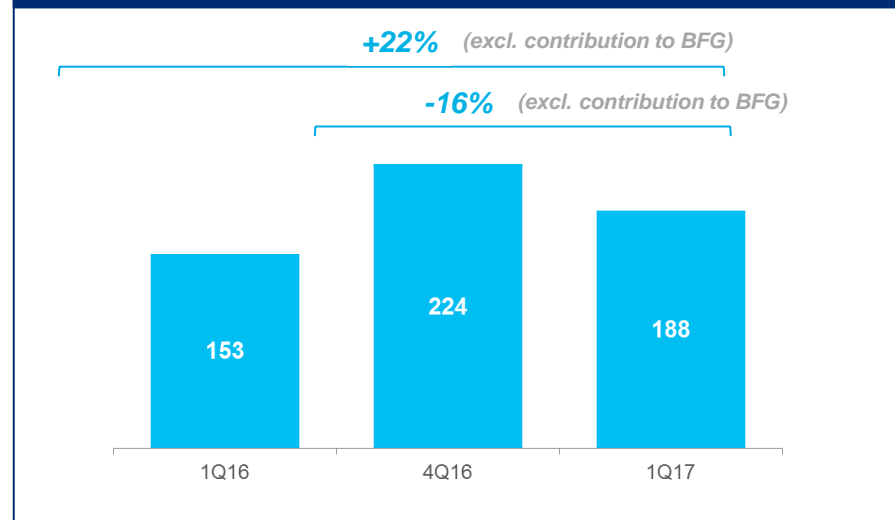


Net income and revenue

Net income and revenue (PLN MM)



Operating margin (PLN MM)



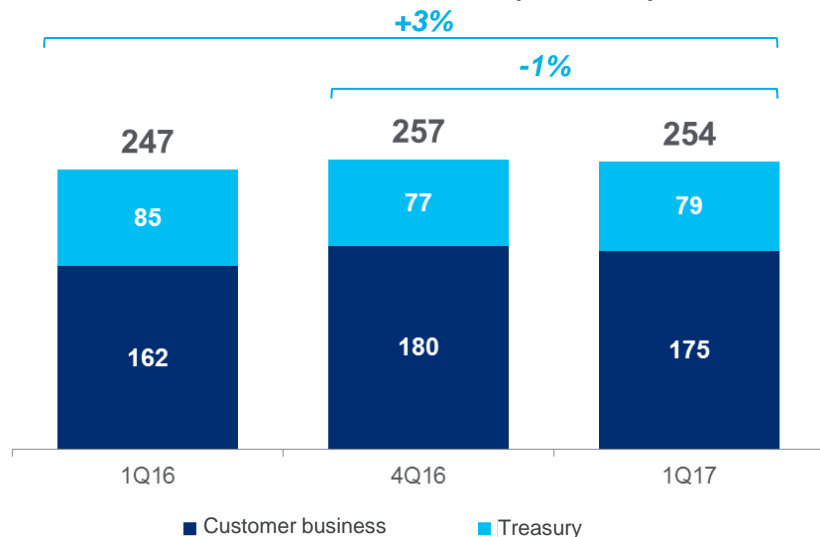
1Q 2017 Key financial ratios

	Bank ¹⁾	Sector
ROA	123 bps	81 bps ²⁾
ROTE	10.9%	7.7% ²⁾
Tier 1	17.3%	16.2% ³⁾
NPL	2.9%	6.1% ⁴⁾

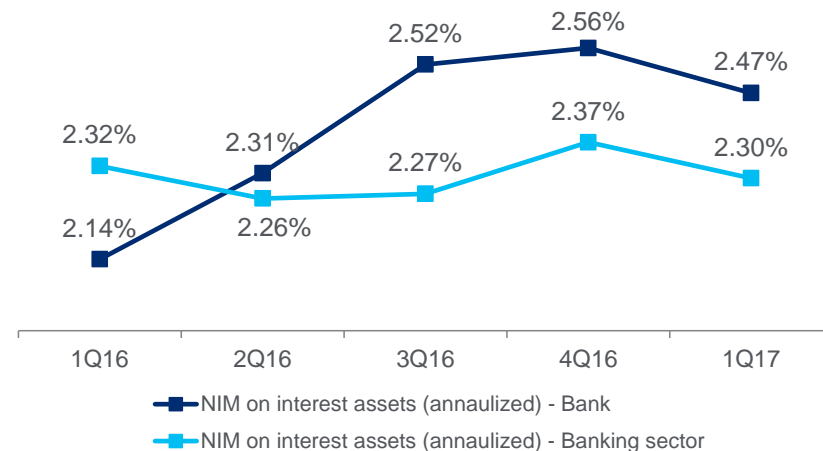
1) Ratios calculated on basis of consolidated results;
 2) Ratio annualized on the basis of last 12 months (till February 2017)
 3) Data as of Q4'16 (Q12017 unavailable)
 4) Ratio on the basis of February 2017 data

Revenue split

Net interest income (PLN MM)

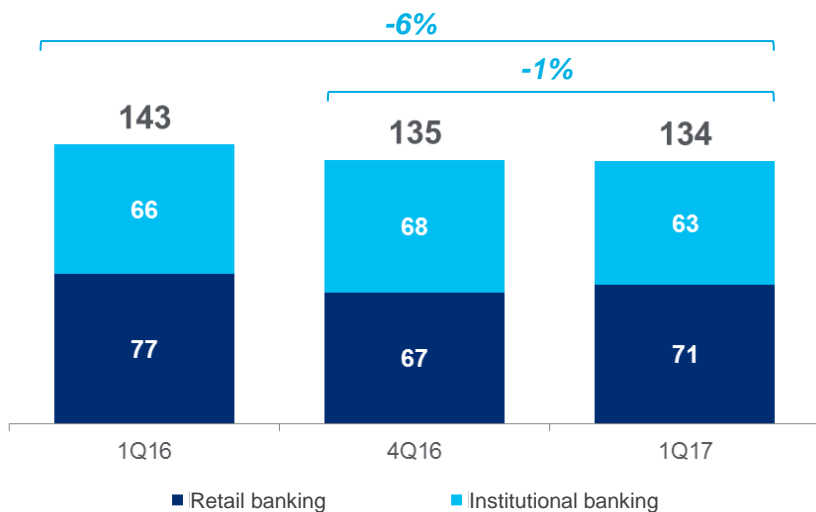


Net interest margin – Bank vs. sector

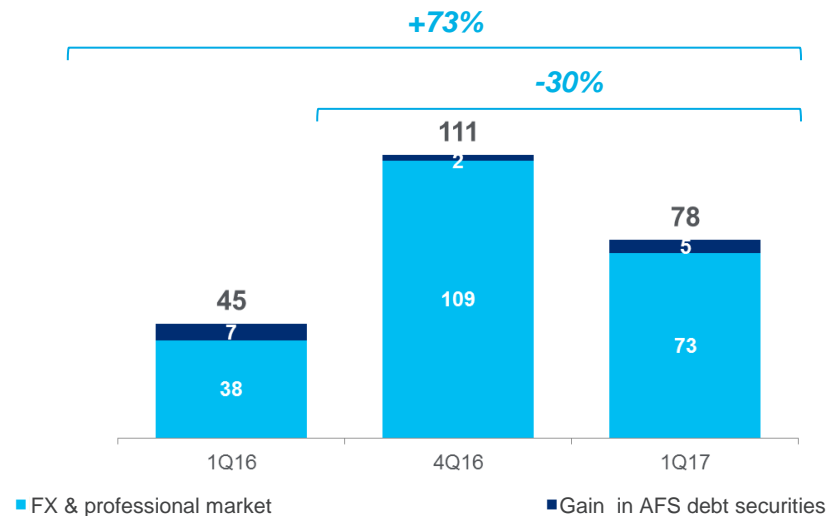


* On the basis of last 12 months (till February 2017)

Net fee & commission income (PLN MM)

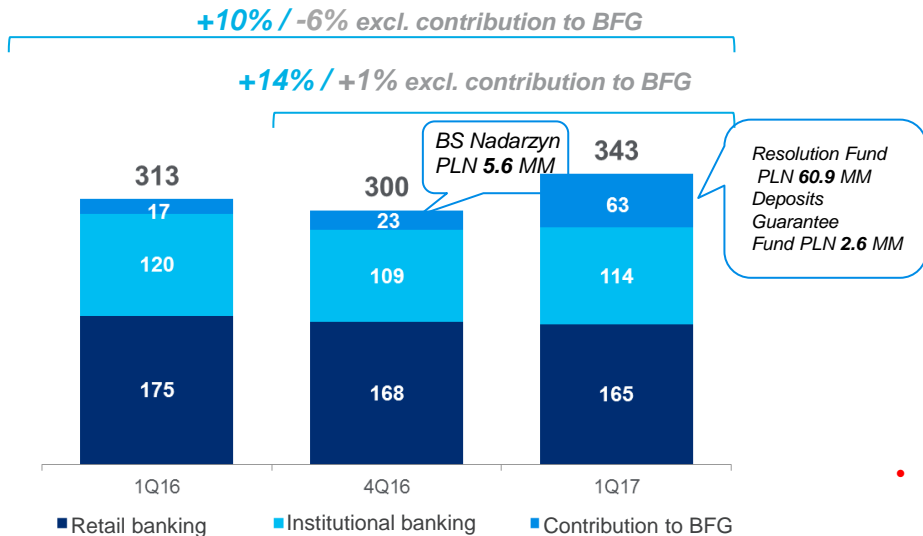


Treasury result (PLN MM)

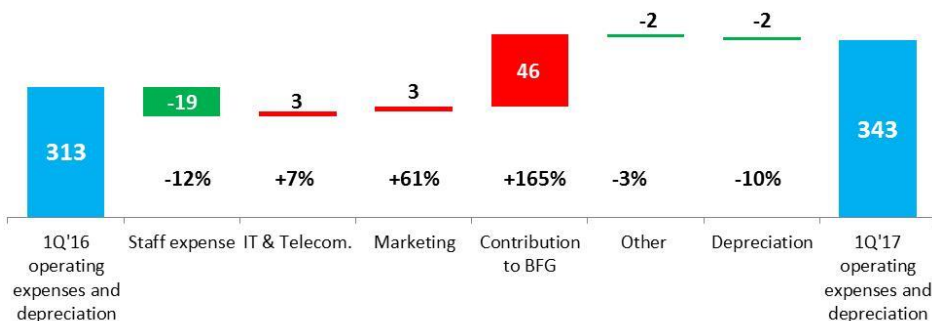


Operating expenses and cost of risk

Operating expenses and depreciation (PLN MM)

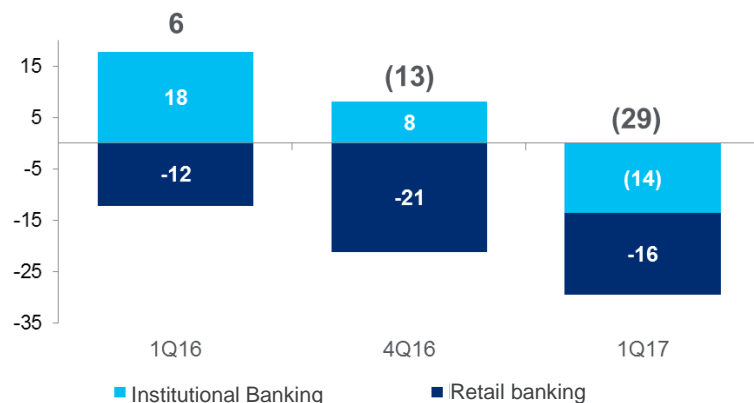


Operating expenses and depreciation (PLN MM) by type

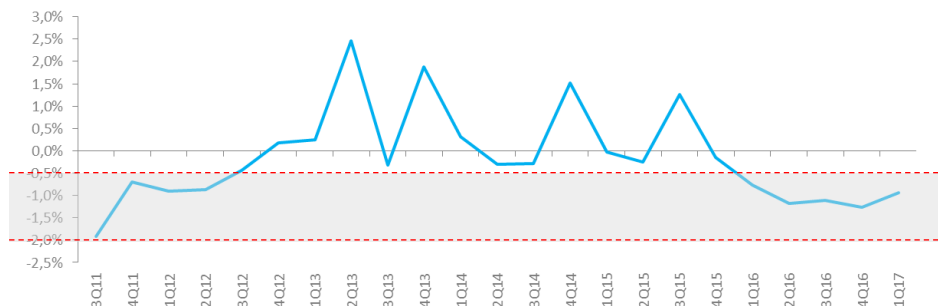


- Savings on lower staff expenses are reinvested in technology development and marketing

Net impairment losses (PLN MM)



Retail banking cost of risk

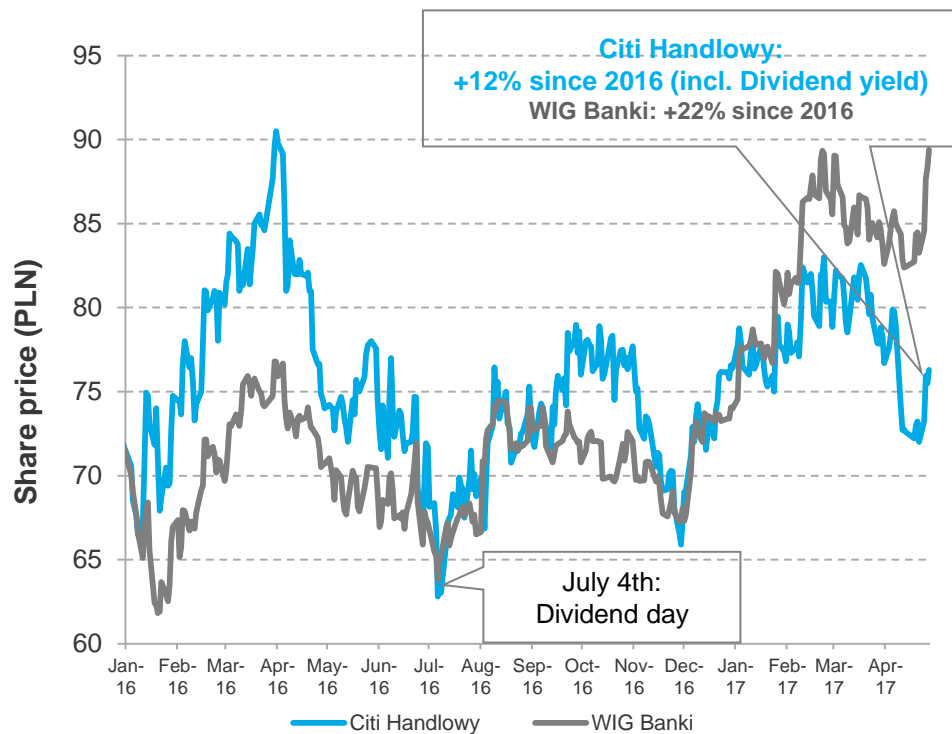


Institutional banking cost of risk

- Institutional banking cost of risk results largely from one-off events

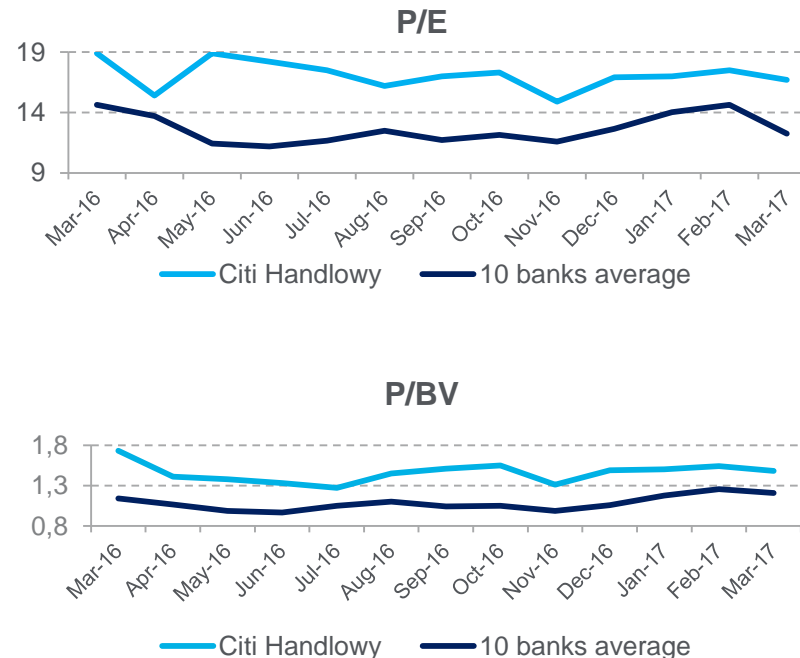
Change in Bank's share price

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



Note: Last quotation April 27th 2017 (Citi Handlowy: PLN 76.30)

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



Dividends paid by Citi Handlowy (2009-2016)

	2009	2010	2011	2012	2013	2014	2015	2016*
Dividend yield	7.1%	7.1%	3.3%	7.1%	7.0%	7.4%	6.4%	6.1%

* Bank Management Board recommendation with positive opinion of Supervisory Board

Appendix

Profit and loss account - Total Bank

PLN MM	1Q16	2Q16	3Q16	4Q16	1Q17	1Q17 vs. 4Q16		1Q17 vs. 1Q16	
						PLN MM	%	PLN MM	%
Net interest income	247	252	247	257	254	(2)	(1%)	7	3%
Net fee and commission income	143	139	145	135	134	(1)	(1%)	(8)	(6%)
Dividend income	0	7	1	0	-	(0)	-	(0)	(100%)
Gains on AFS debt securities	7	14	22	2	5	3	132%	(2)	(25%)
FX and professional market	38	107	93	109	73	(36)	(33%)	34	90%
Hedge accounting	4	3	0	2	5	3	200%	0	10%
Treasury	49	125	115	113	82	(30)	(27%)	33	68%
Net gain on equity investment instruments	-	94	2	0	0	(0)	(38%)	0	-
Net other operating income	10	2	2	(4)	(4)	(0)	10%	(14)	-
Revenue	449	620	512	501	467	(34)	(7%)	18	4%
Expenses	(295)	(284)	(271)	(283)	(326)	(43)	15%	(32)	11%
Depreciation	(19)	(17)	(17)	(17)	(17)	0	(1%)	2	(10%)
Expenses and depreciation	(313)	(301)	(288)	(300)	(343)	(43)	14%	(30)	10%
Operating margin	136	318	224	201	124	(77)	(38%)	(12)	(9%)
Profit/(loss) on sale of tangible fixed assets	0	0	0	0	0	(0)	(90%)	(0)	(78%)
Net impairment losses	6	(20)	(18)	(13)	(29)	(16)	123%	(35)	-
Share in profits / (losses) of entities valued at the equity method	(0)	0	0	(0)	0	0	-	0	-
Tax on certain financial institutions	(13)	(18)	(19)	(19)	(20)	(1)	3%	(6)	49%
EBIT	128	280	187	169	75	(94)	(56%)	(53)	(42%)
Corporate income tax	(24)	(58)	(42)	(39)	(32)	6	(16%)	(8)	35%
Net profit	104	222	145	130	43	(88)	(67%)	(62)	(59%)
C/I ratio	70%	49%	56%	60%	73%				

Institutional Banking - profit and loss account

PLN MM	1Q16	2Q16	3Q16	4Q16	1Q17	1Q17 vs. 4Q16		1Q17 vs. 1Q16	
						PLN MM	%	PLN MM	%
Net interest income	107	113	104	114	112	(3)	(2%)	4	4%
Net fee and commission income	66	67	74	68	63	(5)	(7%)	(3)	(4%)
Dividend income	0	1	0	0	-	(0)	(100%)	(0)	(100%)
Gains on AFS debt securities	7	14	22	2	5	3	132%	(2)	(25%)
FX and professional market	30	98	86	101	64	(36)	(36%)	34	112%
Hedge accounting	4	3	0	2	5	3	200%	0	10%
Treasury	41	116	108	105	74	(31)	(29%)	33	80%
Net gain on equity investment instruments	-	27	2	0	0	(0)	(38%)	0	-
Net other operating income	9	5	6	1	4	3	282%	(5)	(51%)
Revenue	224	330	295	289	254	(35)	(12%)	30	13%
Expenses	(129)	(123)	(120)	(122)	(165)	(43)	36%	(36)	28%
Depreciation	(6)	(5)	(5)	(5)	(5)	(0)	2%	1	(10%)
Expenses and depreciation	(134)	(128)	(125)	(127)	(170)	(43)	34%	(36)	27%
Operating margin	89	202	170	162	84	(79)	(48%)	(6)	(7%)
Profit/(loss) on sale of tangible fixed assets	0	0	0	0	0	(0)	(90%)	(0)	(78%)
Net impairment losses	18	(1)	0	8	(14)	(22)	-	(31)	-
Tax on certain financial institutions	(10)	(13)	(14)	(14)	(14)	(1)	4%	(5)	48%
Share in profits / (losses) of entities valued at the equity method	(0)	0	0	(0)	0	0	-	0	-
EBIT	97	188	156	156	56	(101)	(64%)	(42)	(43%)
C/I ratio	60%	39%	42%	44%	67%				

Retail Banking - profit and loss account

PLN MM	1Q16	2Q16	3Q16	4Q16	1Q17	1Q17 vs. 4Q16		1Q17 vs. 1Q16	
						PLN MM	%	PLN MM	%
Net interest income	140	139	143	142	143	1	0%	3	2%
Net fee and commission income	77	72	70	67	71	4	6%	(6)	(8%)
Dividend income	-	6	0	-	-	-	-	-	-
FX and professional market	8	9	7	8	8	0	3%	0	5%
AFS Non-Treasury (equity instruments)	-	66	-	-	-	-	-	-	-
Net other operating income	1	(3)	(4)	(5)	(8)	(4)	76%	(9)	-
Revenue	226	223	217	212	213	1	1%	(12)	(5%)
Expenses	(166)	(161)	(151)	(161)	(161)	0	(0%)	5	(3%)
Depreciation	(13)	(12)	(12)	(12)	(12)	0	(2%)	1	(11%)
Expenses and depreciation	(179)	(173)	(163)	(173)	(173)	1	(0%)	6	(3%)
Operating margin	47	50	54	39	41	2	4%	(6)	(13%)
Net impairment losses	(12)	(19)	(18)	(21)	(16)	5	(26%)	(4)	30%
Tax on certain financial institutions	(3)	(5)	(5)	(5)	(5)	(0)	2%	(2)	52%
EBIT	31	92	31	12	20	7	56%	(11)	(37%)
C/I ratio	79%	78%	75%	82%	81%				

Balance sheet

PLN B	End of period					1Q17 vs. 4Q16		1Q17 vs. 1Q16	
	1Q16	2Q16	3Q16	4Q16	1Q17	PLN B	%	PLN B	%
Cash and balances with the Central Bank	1.1	0.8	0.9	0.7	2.2	1.6	233%	1.1	107%
Amounts due from banks	0.8	0.8	0.6	0.6	0.8	0.2	36%	(0.0)	(2%)
Financial assets held-for-trading	8.1	2.3	2.7	3.8	2.0	(1.8)	(46%)	(6.1)	(75%)
Debt securities available-for-sale	21.4	19.8	16.7	19.1	17.3	(1.8)	(9%)	(4.1)	(19%)
Customer loans	17.5	17.9	18.6	18.9	19.2	0.4	2%	1.7	10%
Financial sector entities	0.7	0.7	1.7	1.7	2.0	0.3	17%	1.3	181%
including reverse repo receivables	-	0.0	-	-	0.1	0.1	-	0.1	-
Non-financial sector entities	16.8	17.2	16.8	17.2	17.2	0.1	0%	0.4	3%
Institutional Banking	10.7	10.9	10.5	10.8	10.8	0.1	1%	0.2	2%
Consumer Banking	6.1	6.3	6.4	6.4	6.4	(0.0)	(0%)	0.3	4%
Unsecured receivables	4.8	5.0	5.0	5.1	5.1	(0.0)	(0%)	0.2	5%
Credit cards	2.1	2.2	2.3	2.3	2.3	(0.0)	(1%)	0.2	9%
Cash loans	2.7	2.7	2.7	2.7	2.7	0.0	0%	0.0	2%
Other unsecured receivables	0.1	0.1	0.1	0.1	0.1	(0.0)	(3%)	(0.0)	(1%)
Mortgage	1.3	1.3	1.3	1.3	1.3	0.0	1%	0.0	1%
Other assets	2.6	2.7	2.5	2.2	3.2	0.9	42%	0.6	22%
Total assets	51.5	44.2	42.0	45.2	44.8	(0.4)	(1%)	(6.8)	(13%)
Liabilities due to banks	10.6	2.4	2.4	2.3	3.0	0.7	28%	(7.6)	(72%)
Financial liabilities held-for-trading	1.8	1.6	1.2	1.3	1.5	0.2	12%	(0.3)	(17%)
Financial liabilities due to customers	30.8	31.5	30.5	33.9	31.7	(2.2)	(7%)	1.0	3%
Financial sector entities - deposits	4.3	4.6	4.8	4.7	4.3	(0.4)	(9%)	(0.0)	(0%)
Non-financial sector entities - deposits	26.3	26.8	25.6	29.1	27.2	(1.9)	(7%)	0.9	3%
Institutional Banking	17.2	17.4	16.1	19.2	16.9	(2.2)	(12%)	(0.3)	(2%)
Consumer Banking	9.1	9.5	9.5	9.9	10.3	0.3	3%	1.2	13%
Other financial liabilities	0.1	0.3	0.1	0.1	0.1	0.0	22%	(0.0)	(8%)
Other liabilities	1.4	2.2	1.2	0.9	1.7	0.9	101%	0.4	26%
Total liabilities	44.5	37.6	35.3	38.4	37.9	(0.5)	(1%)	(6.6)	(15%)
Equity	7.1	6.6	6.7	6.8	6.9	0.1	1%	(0.2)	(3%)
Total liabilities & equity	51.5	44.2	42.0	45.2	44.8	(0.4)	(1%)	(6.8)	(13%)
Loans / Deposits ratio	64%	64%	66%	59%	63%				
Capital Adequacy Ratio	17.5%	17.0%	17.1%	17.4%	17.3%				
NPL*	3.4%	3.3%	3.1%	2.9%	2.9%				