



# Bank Handlowy w Warszawie S.A.

## Preliminary consolidated financial results for 2018

February 14, 2019

[www.citihandlowy.pl](http://www.citihandlowy.pl)

Bank Handlowy w Warszawie S.A.

The logo for Citi Handlowy, featuring the word "citi" in a lowercase, sans-serif font with a red arc above the "i", followed by "handlowy" in a larger, lowercase, sans-serif font. A registered trademark symbol (®) is located to the upper right of the word "handlowy".

# 2018 Summary

## Financial data & profitability

- Net profit increase by **19%** to the level of **PLN 639 MM**, fueled by **revenue increase**;
- **Stable operating expenses**, with simultaneous growing investment in Citi Handlowy brand awareness and sales support in consumer banking;
- Return on equity (**ROE**) **above 10%**

## Treasury

- Q4'18 Summary:
  - Income on **trading financial instruments and revaluation** under pressure linked to high uncertainty on financial markets.
  - **Customer business.** Supporting Institutional Clients on FX markets – FX volumes increase by 17% YoY and 11% QoQ

## Business development in strategic areas

- **High growth pace of Institutional Banking client assets by 12% YoY** – growing lending to global clients and top Polish corporations;
- **Retail Banking deposits growth by 15% YoY** as a result of new clients acquisition in strategic target market: Citi Private Client (CPC) and Citigold;

## Technology

- **PSD2 Challenge** – first Bank sharing API to start-ups in the highest standard. Founder Member of the Polish Financial Supervision Committee regulatory sandbox;
- **Digital onboarding** – digital acquisition of clients and use of iPad in servicing Institutional Banking Clients.

# Citi Handlowy financial results – reported data

(PLN MM)

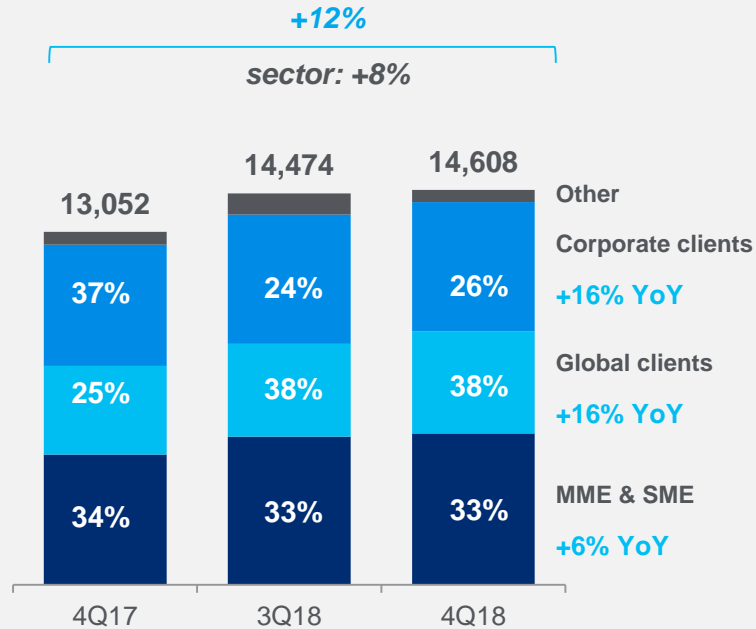
	4Q18	3Q18	△QoQ	4Q17	△YoY	2018	△YoY
Net interest income	279	281	(1%)	290	(4%)	1,108	2%
Net fee and commission income	134	135	(%)	145	(7%)	550	(5%)
Treasury	102	103	(1%)	107	(5%)	477	25%
Other	(3)	0	-	5	-	26	9%
<b>Total Revenues</b>	<b>513</b>	<b>519</b>	<b>(1%)</b>	<b>546</b>	<b>(6%)</b>	<b>2,160</b>	<b>4%</b>
<b>Expenses</b>	<b>278</b>	<b>275</b>	<b>1%</b>	<b>280</b>	<b>(1%)</b>	<b>1,180</b>	<b>(1%)</b>
<b>Operating Margin</b>	<b>235</b>	<b>244</b>	<b>(4%)</b>	<b>266</b>	<b>(12%)</b>	<b>980</b>	<b>12%</b>
<b>Net impairment losses</b>	<b>12</b>	<b>19</b>	<b>(39%)</b>	<b>38</b>	<b>(69%)</b>	<b>64</b>	<b>(38%)</b>
<b>Profit before tax</b>	<b>197</b>	<b>205</b>	<b>(4%)</b>	<b>210</b>	<b>(6%)</b>	<b>829</b>	<b>17%</b>
Corporate income tax	45	46	(3%)	47	(5%)	190	11%
Bank levy	26	19	36%	18	43%	87	13%
Effective tax rate	22.7%	22.6%	0.1 pp.	22.3%	0.4 pp.	22.9%	(1.4 pp.)
<b>Net profit</b>	<b>152</b>	<b>158</b>	<b>(4%)</b>	<b>163</b>	<b>(7%)</b>	<b>639</b>	<b>19%</b>
Return on Equity <sup>1)</sup>	10.0%	10.2%	(0.2 pp.)	8.5%	1.5 pp.		
<b>Total comprehensive income</b>	<b>213</b>	<b>151</b>	<b>42%</b>	<b>233</b>	<b>(8%)</b>	<b>730</b>	<b>(1%)</b>
<b>Assets</b>	<b>49,305</b>	<b>45,163</b>	<b>9%</b>	<b>43,038</b>	<b>15%</b>	<b>49,305</b>	<b>15%</b>
<b>Net loans</b>	<b>21,949</b>	<b>21,604</b>	<b>2%</b>	<b>19,849</b>	<b>11%</b>	<b>21,949</b>	<b>11%</b>
<b>Deposits</b>	<b>38,334</b>	<b>33,372</b>	<b>15%</b>	<b>32,137</b>	<b>19%</b>	<b>38,334</b>	<b>19%</b>
Loans / Deposits	57%	65%		62%			
TCR	16.8% ▼	16.9%		17.9%			

# Business activity development

# Institutional Banking - Loans

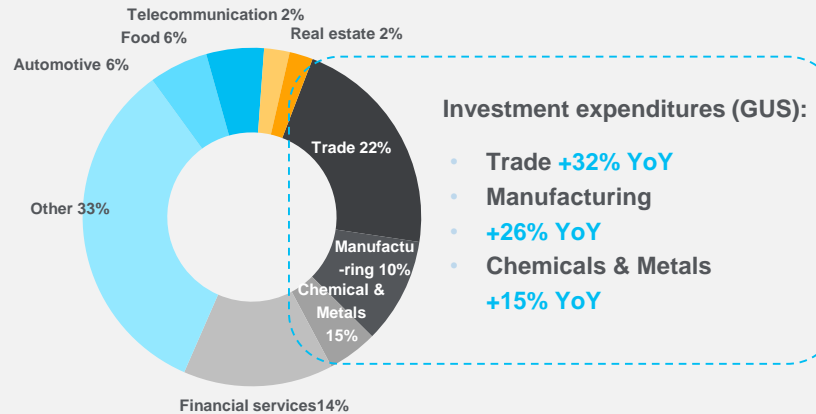
Loan portfolio increased 2.5 times faster comparing to 2018 GDP

## Institutional clients loans – non banking sector (excl. reverse repo)



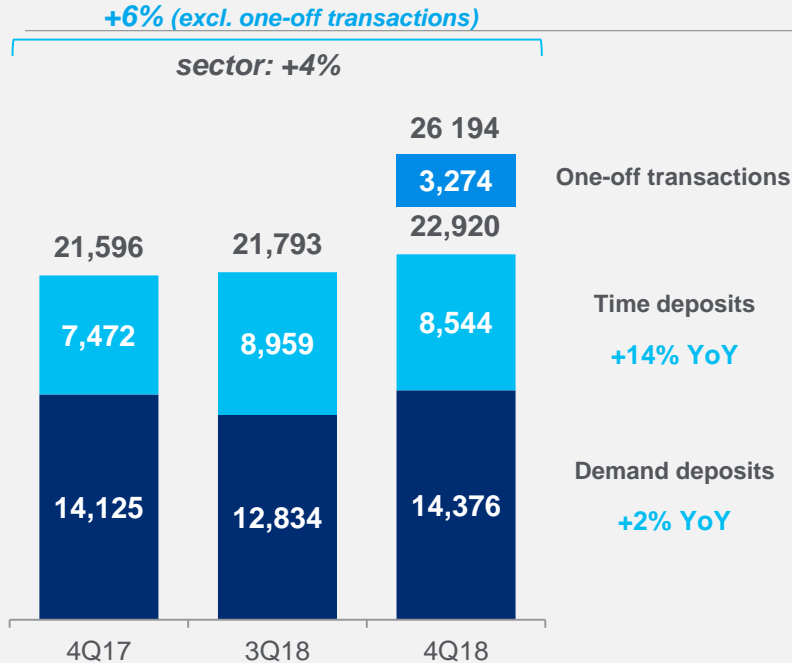
## Loan portfolio structure – good growth base

The highest engagement in sectors with the highest growth dynamics



# Institutional Banking - Deposits

## Institutional clients deposits – non banking sector



## Global expertise



**Citi Velocity** – advanced analysis service, 86 th. customers in 136 countries



**FX Online platform** – anytime & anywhere

## Transactional banking

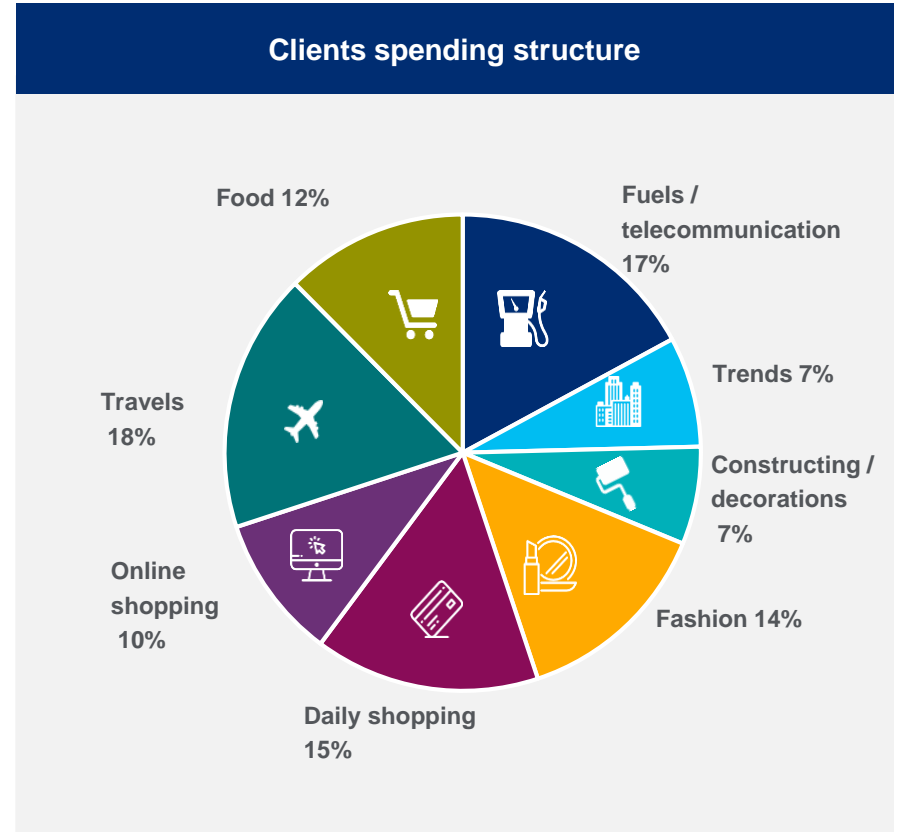
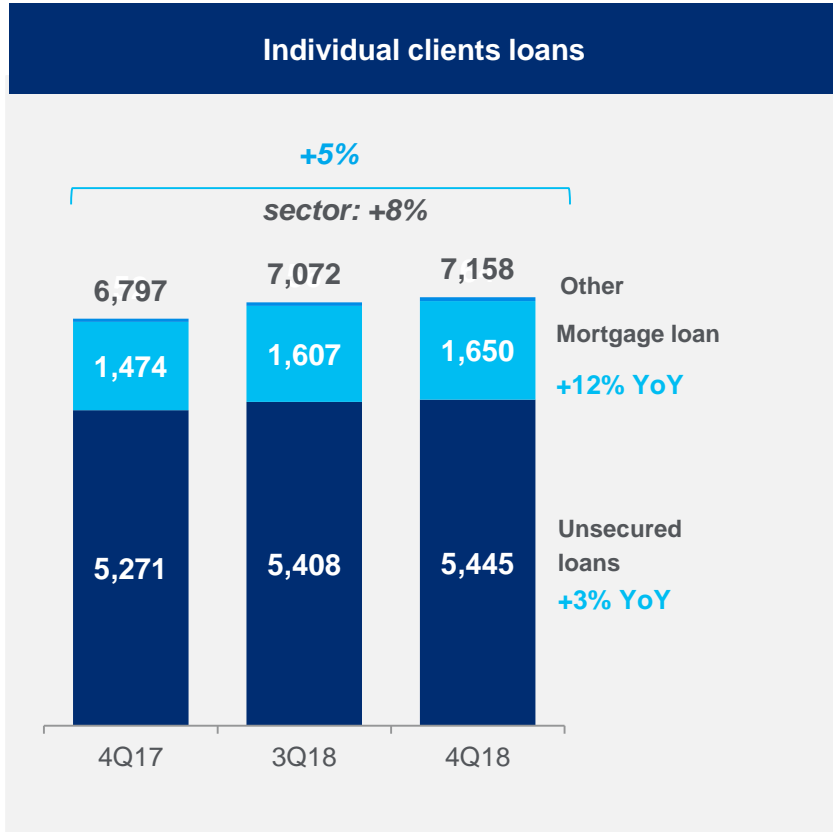
**Awarded Transactional Banking**



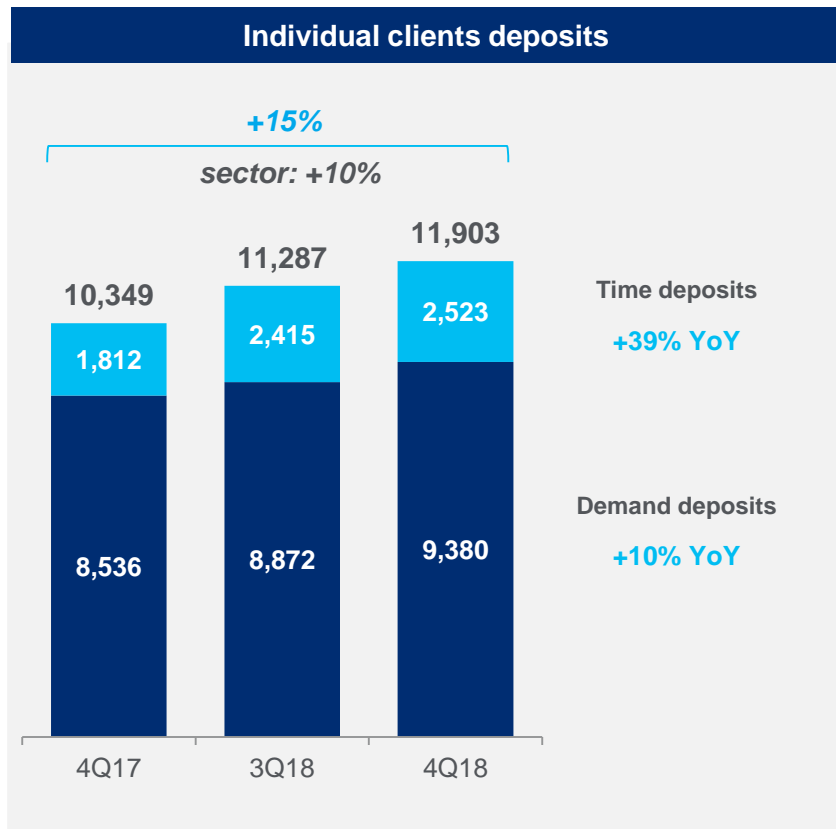
**Average balance on operating accounts**



# Consumer Banking - Loans



# Consumer Banking - Deposits



Attractive deposit offer

Discount programs

Citi Handlowy Bikes



CPC clients number

+8%  
YoY



Client's spending growth\*

+5%  
YoY



Bike rentals

14.5 MM

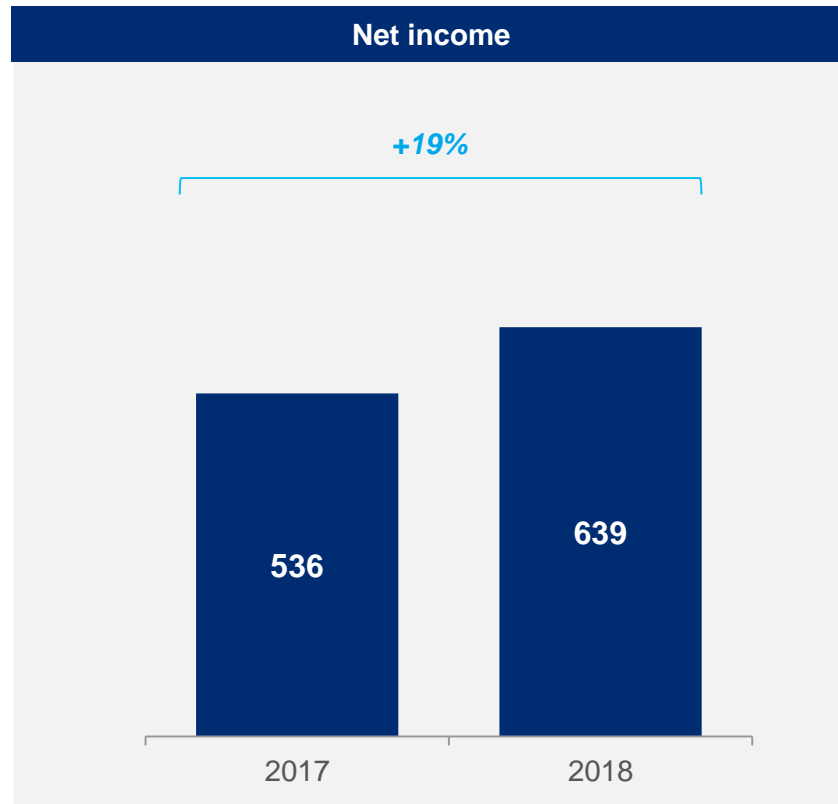
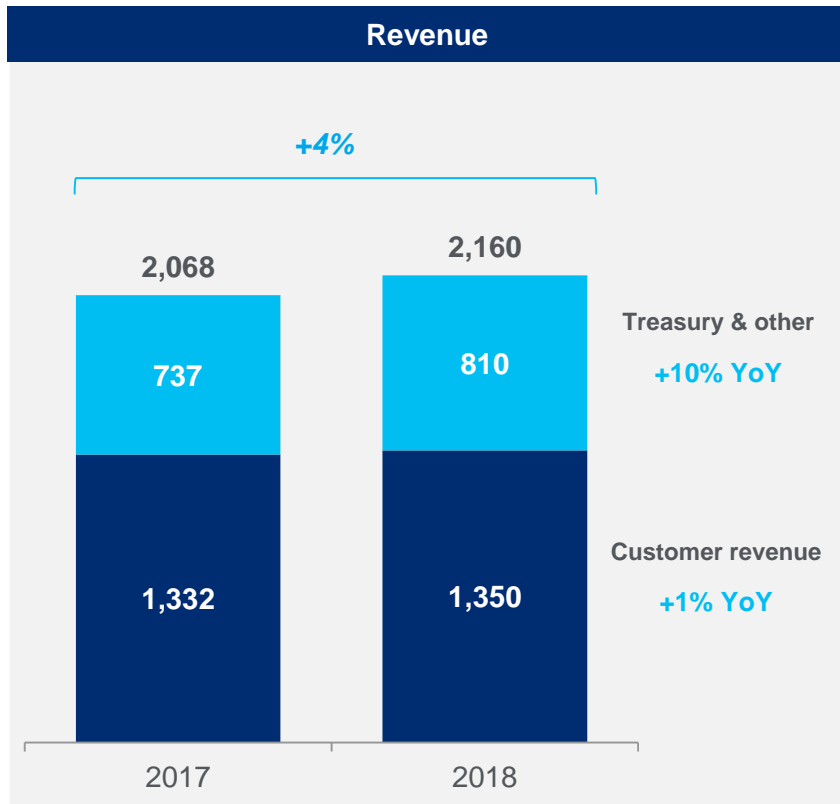
\* Volume of transactions with Citi Handlowy credit card



# Financial results

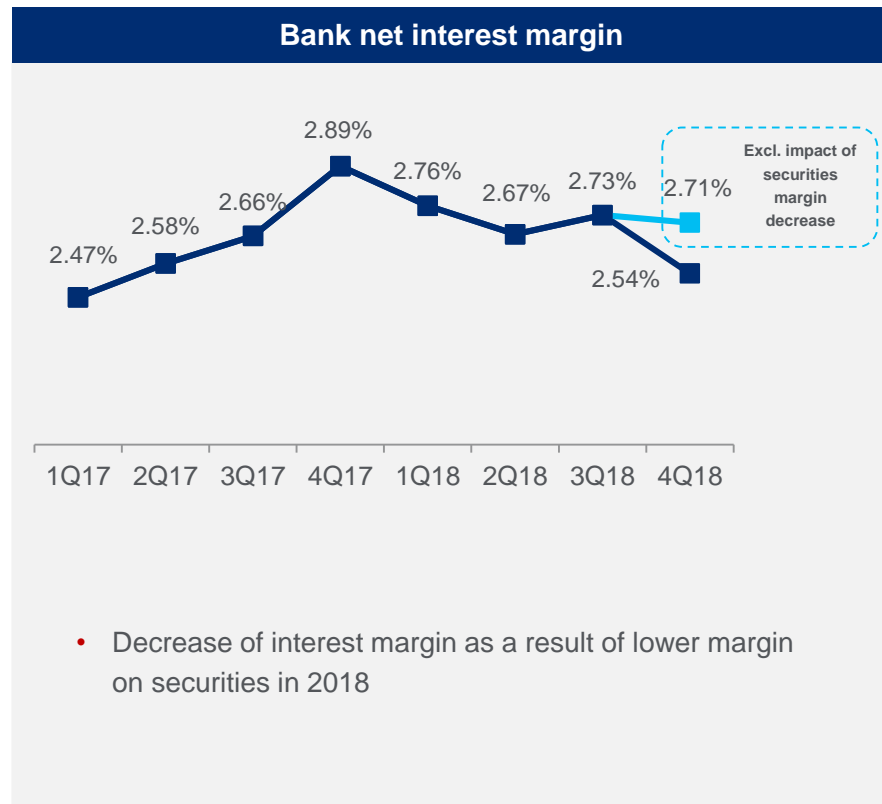
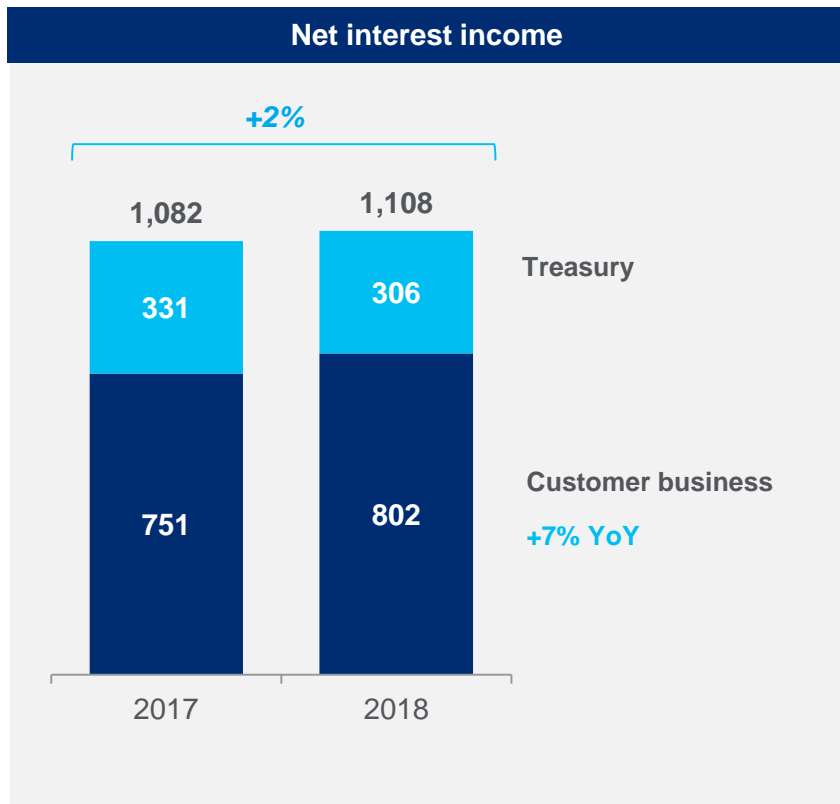
# Revenue and net income

(PLN MM)



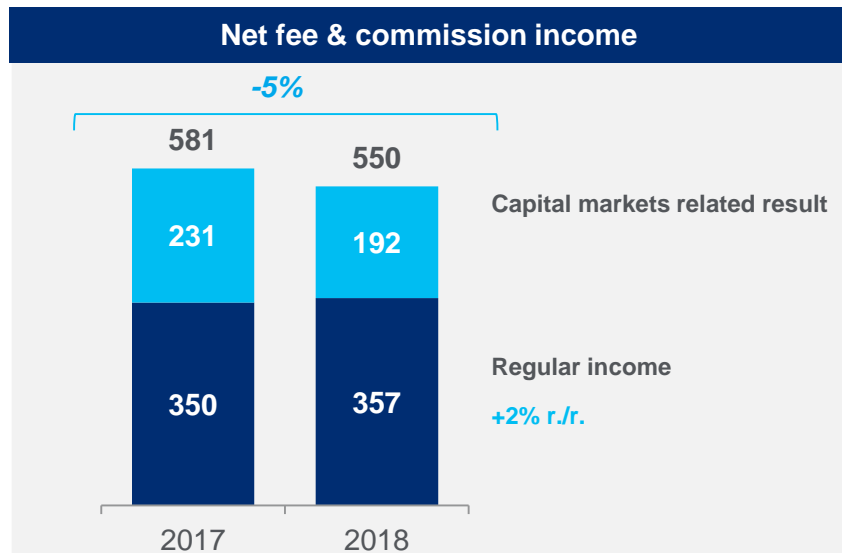
# Net interest income

(PLN MM)

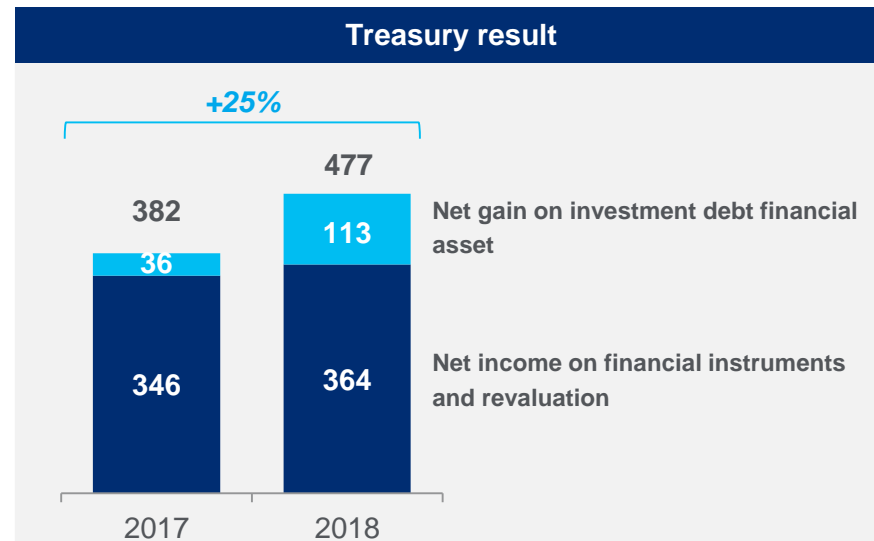


# Net fee & commission income and treasury result

(PLN MM)



- Regular income increase as a result of transactions growth in institutional banking;
- Capital markets result affected by negative investment sentiment among individual clients.

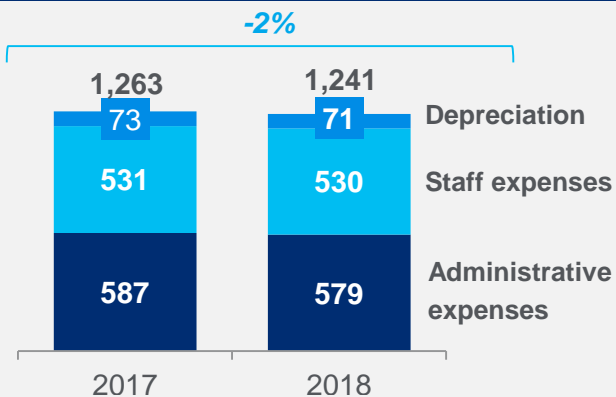


- Net gain on investment debt financial asset as a result of favorable market conditions (low interest rates);
- Income on trading financial instruments and revaluation:
  - Trading/ALM: divergence between negative market reaction to further development of the Polish economy and its strong fundamentals

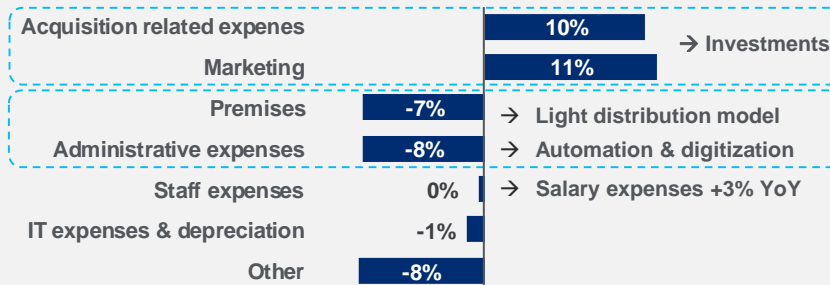
# Operating expenses and cost of risk

(PLN MM)

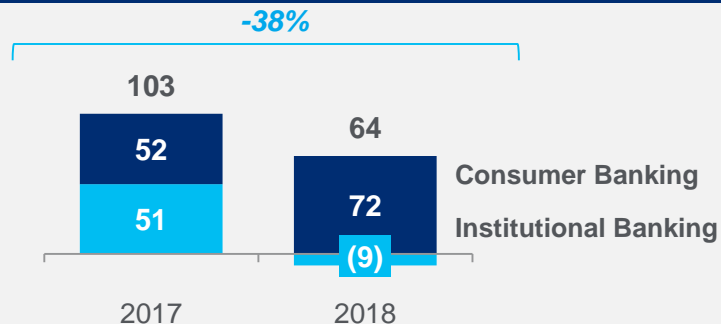
## Operating expenses and depreciation



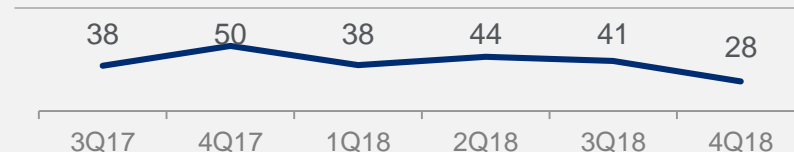
## Expenses structure (YoY)



## Net impairment losses



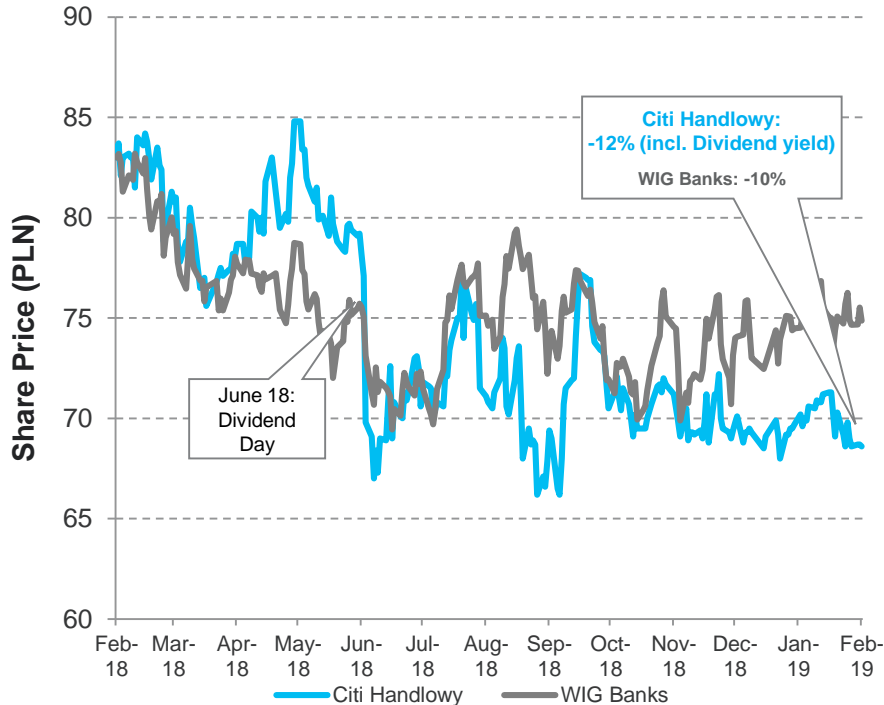
## Stable cost of risk (rolling for 4 quarters in bps)



- NPL ratio at 2.97%, below banking sector;
- High provision coverage ratio at 92%

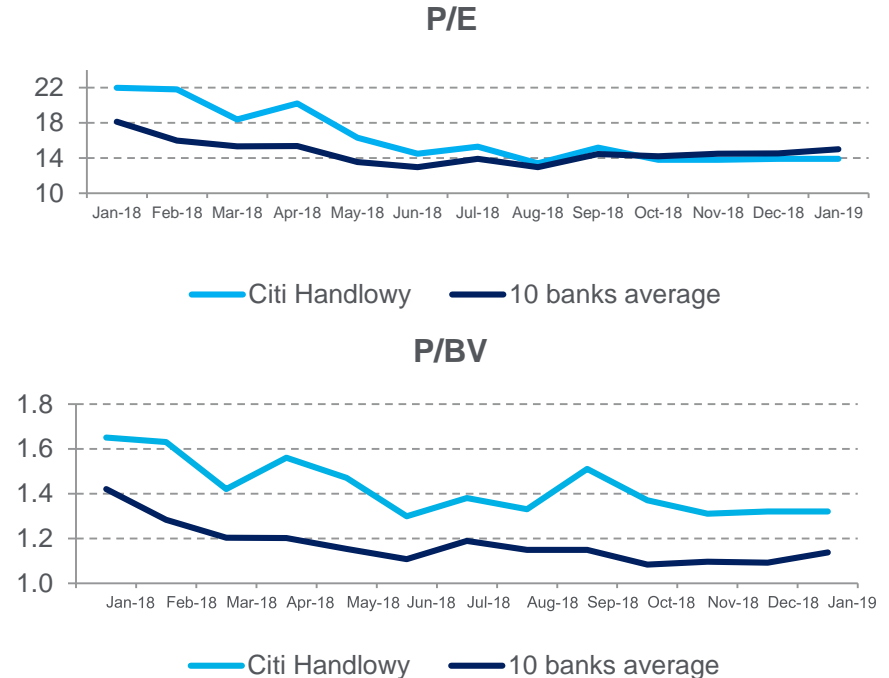
# Change in Bank's share price

Citi Handlowy share price vs. WIG Banks index relative performance



Note: Last quotation February 13th 2019 (Citi Handlowy: PLN 68.60)

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



# Appendix

# Profit and loss account - Total Bank

PLN MM	4Q17	1Q18	2Q18	3Q18	4Q18	4Q18 vs. 3Q18		4Q18 vs. 4Q17		2017	2018	2018 vs. 2017	
						PLN MM	%	PLN MM	%			PLN MM	%
Net interest income	290	277	271	281	279	(2)	(1%)	(11)	(4%)	1,082	1,108	25	2%
Net fee and commission income	145	142	139	135	134	(1)	(0%)	(10)	(7%)	581	550	(31)	(5%)
Dividend income	0	0	9	0	0	(0)	(80%)	(0)	(58%)	9	10	0	1%
Net gain on trading financial instruments and revaluation	100	98	95	94	77	(17)	(18%)	(23)	(23%)	346	364	18	5%
Net gain on debt investment financial assets measured at fair value through other comprehensive income	7	37	42	9	25	16	192%	18	257%	36	113	77	215%
Hedge accounting	4	4	-	-	-	-	-	(4)	(100%)	10	4	(7)	(64%)
Treasury	111	138	138	103	102	(1)	(1%)	(9)	(8%)	392	481	88	22%
Net gain on other equity instruments	-	0	6	3	(4)	(7)	-	(4)	-	3	7	3	-
Net other operating income	1	10	(1)	(4)	1	4	-	0	29%	1	6	5	961%
<b>Revenue</b>	<b>546</b>	<b>567</b>	<b>561</b>	<b>519</b>	<b>513</b>	<b>(6)</b>	<b>(1%)</b>	<b>(34)</b>	<b>(6%)</b>	<b>2,068</b>	<b>2,160</b>	<b>92</b>	<b>4%</b>
Expenses	(261)	(327)	(262)	(259)	(261)	(2)	1%	0	(0%)	(1,119)	(1,108)	10	(1%)
Depreciation	(19)	(19)	(19)	(17)	(17)	(0)	3%	2	(10%)	(73)	(71)	2	(2%)
<b>Expenses and depreciation</b>	<b>(280)</b>	<b>(346)</b>	<b>(280)</b>	<b>(275)</b>	<b>(278)</b>	<b>(2)</b>	<b>1%</b>	<b>2</b>	<b>(1%)</b>	<b>(1,192)</b>	<b>(1,180)</b>	<b>12</b>	<b>(1%)</b>
<b>Operating margin</b>	<b>266</b>	<b>221</b>	<b>281</b>	<b>244</b>	<b>235</b>	<b>(9)</b>	<b>(4%)</b>	<b>(32)</b>	<b>(12%)</b>	<b>877</b>	<b>980</b>	<b>104</b>	<b>12%</b>
Profit/(loss) on sale of tangible fixed assets	0	(0)	(1)	-	0	0	-	(0)	(94%)	11	(1)	(12)	-
<b>Net impairment losses</b>	<b>(38)</b>	<b>(6)</b>	<b>(27)</b>	<b>(19)</b>	<b>(12)</b>	<b>7</b>	<b>(39%)</b>	<b>27</b>	<b>(69%)</b>	<b>(103)</b>	<b>(64)</b>	<b>40</b>	<b>-38%</b>
Share in profits / (losses) of entities valued at the equity method	(0)	0	0	(0)	(0)	0	(87%)	(0)	7%	0	(0)	(0)	-
Tax on certain financial institutions	(18)	(19)	(23)	(19)	(26)	(7)	36%	(8)	43%	(78)	(87)	(10)	13%
<b>EBIT</b>	<b>210</b>	<b>197</b>	<b>230</b>	<b>205</b>	<b>197</b>	<b>(8)</b>	<b>(4%)</b>	<b>(13)</b>	<b>(6%)</b>	<b>707</b>	<b>829</b>	<b>122</b>	<b>17%</b>
Corporate income tax	(47)	(51)	(48)	(46)	(45)	2	(3%)	2	(5%)	(172)	(190)	(18)	11%
<b>Net profit</b>	<b>163</b>	<b>146</b>	<b>182</b>	<b>158</b>	<b>152</b>	<b>(6)</b>	<b>(4%)</b>	<b>(11)</b>	<b>(7%)</b>	<b>536</b>	<b>639</b>	<b>103</b>	<b>19%</b>
<b>C/I ratio</b>	<b>51%</b>	<b>61%</b>	<b>50%</b>	<b>53%</b>	<b>54%</b>					<b>58%</b>	<b>55%</b>		



# Institutional Banking - profit and loss account

PLN MM	4Q17	1Q18	2Q18	3Q18	4Q18	4Q18 vs. 3Q18		4Q18 vs. 4Q17		2017	2018	2018 vs. 2017	
						PLN MM	%	PLN MM	%			PLN MM	%
<b>Net interest income</b>	143	129	123	128	119	(9)	(7%)	(23)	(16%)	502	499	(2)	(0%)
<b>Net fee and commission income</b>	68	73	72	69	70	1	1%	2	2%	283	283	1	0%
Dividend income	0	0	1	0	0	(0)	(89%)	(0)	(73%)	2	1	(0)	(10%)
Net gain on trading financial instruments and revaluation	93	91	88	87	70	(18)	(20%)	(23)	(25%)	316	336	19	6%
Net gain on debt investment financial assets measured at fair value through other comprehensive income	7	37	42	9	25	16	192%	18	257%	36	113	77	215%
Hedge accounting	4	4	-	-	-	-	-	(4)	(100%)	10	4	(7)	(64%)
<b>Treasury</b>	104	131	130	96	95	(1)	(1%)	(9)	(9%)	363	452	90	25%
Net gain on other equity instruments	-	0	6	3	(4)	(7)	-	(4)	-	3	7	3	93%
Net other operating income	4	4	1	0	4	3	889%	0	3%	19	9	(10)	(52%)
<b>Revenue</b>	318	337	334	297	284	(13)	(4%)	(34)	(11%)	1,171	1,252	81	7%
Expenses	(105)	(163)	(108)	(107)	(113)	(7)	6%	(8)	8%	(484)	(491)	(7)	1%
Depreciation	(5)	(5)	(4)	(4)	(5)	(0)	4%	0	(1%)	(20)	(18)	1	(6%)
<b>Expenses and depreciation</b>	(110)	(168)	(113)	(111)	(118)	(7)	6%	(8)	7%	(504)	(509)	(5)	1%
<b>Operating margin</b>	209	170	221	186	166	(20)	(11%)	(43)	(20%)	667	743	76	11%
Profit/(loss) on sale of tangible fixed assets	0	0	(1)	-	0	0	-	(0)	(98%)	11	(1)	(12)	-
<b>Net impairment losses</b>	(32)	(6)	(1)	4	12	8	203%	44	-	(51)	9	60	-
Tax on certain financial institutions	(13)	(14)	(17)	(14)	(19)	(5)	39%	(7)	50%	(56)	(64)	(8)	15%
Share in profits / (losses) of entities valued at the equity method	(0.0)	0.0	0.2	(0.2)	(0.0)	0	(87%)	(0)	7%	0	(0)	(0)	-
<b>EBIT</b>	164	150	203	176	158	(17)	(10%)	(6)	(3%)	571	686	115	20%
<b>C/I ratio</b>	35%	50%	34%	37%	42%								

# Retail Banking - profit and loss account

PLN MM	4Q17	1Q18	2Q18	3Q18	4Q18	4Q18 vs. 3Q18		4Q18 vs. 4Q17		2017	2018	2018 vs. 2017	
						PLN MM	%	PLN MM	%			PLN MM	%
Net interest income	148	148	148	152	160	7	5%	12	8%	580	608	28	5%
Net fee and commission income	77	68	67	66	65	(2)	(2%)	(12)	(16%)	298	266	(31)	(11%)
Dividend income	0	0	8	0	0	(0)	(39%)	(0)	(27%)	8	8	0	3%
Net gain on trading financial instruments and revaluation	7	7	7	7	7	0	1%	0	4%	30	28	(1)	(4%)
Net other operating income	(3)	7	(3)	(4)	(3)	1	(22%)	0	(1%)	(19)	(3)	15	(82%)
<b>Revenue</b>	<b>228</b>	<b>230</b>	<b>227</b>	<b>222</b>	<b>229</b>	<b>7</b>	<b>3%</b>	<b>1</b>	<b>0%</b>	<b>897</b>	<b>908</b>	<b>11</b>	<b>1%</b>
Expenses	(156)	(165)	(153)	(152)	(147)	5	(3%)	9	(6%)	(634)	(617)	17	(3%)
Depreciation	(14)	(14)	(14)	(12)	(13)	(0)	2%	2	(12%)	(54)	(53)	1	(1%)
<b>Expenses and depreciation</b>	<b>(170)</b>	<b>(179)</b>	<b>(168)</b>	<b>(165)</b>	<b>(160)</b>	<b>5</b>	<b>(3%)</b>	<b>10</b>	<b>(6%)</b>	<b>(688)</b>	<b>(670)</b>	<b>17</b>	<b>(3%)</b>
<b>Operating margin</b>	<b>58</b>	<b>52</b>	<b>60</b>	<b>57</b>	<b>69</b>	<b>11</b>	<b>20%</b>	<b>11</b>	<b>19%</b>	<b>209</b>	<b>237</b>	<b>28</b>	<b>13%</b>
Net impairment losses	(6)	1	(26)	(23)	(24)	(1)	2%	(17)	268%	(52)	(72)	(20)	39%
Tax on certain financial institutions	(5)	(5)	(6)	(5)	(7)	(1)	26%	(1)	26%	(22)	(23)	(1)	7%
<b>EBIT</b>	<b>46</b>	<b>47</b>	<b>28</b>	<b>29</b>	<b>39</b>	<b>10</b>	<b>33%</b>	<b>(8)</b>	<b>(17%)</b>	<b>136</b>	<b>142</b>	<b>6</b>	<b>5%</b>
<b>C/I ratio</b>	<b>75%</b>	<b>78%</b>	<b>74%</b>	<b>74%</b>	<b>70%</b>								

# Balance sheet

PLN B	End of period					4Q18 vs. 3Q18		4Q18 vs. 4Q17	
	4Q17	1Q18	2Q18	3Q18	4Q18	PLN B	%	PLN B	%
<b>Cash and balances with the Central Bank</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.7</b>	<b>7.3</b>	<b>6.6</b>	<b>999%</b>	<b>6.8</b>	<b>1474%</b>
Amounts due from banks	0.8	1.2	1.0	0.9	1.3	0.5	52%	0.5	59%
Financial assets held-for-trading	2.2	4.1	3.5	4.2	2.2	(2.0)	(47%)	0.1	3%
<b>Debt financial asstes measured at fair value through other comprehensive income</b>	<b>17.4</b>	<b>16.2</b>	<b>15.7</b>	<b>15.5</b>	<b>14.2</b>	<b>(1.2)</b>	<b>(8%)</b>	<b>(3.2)</b>	<b>(18%)</b>
<b>Customer loans</b>	<b>19.8</b>	<b>20.2</b>	<b>21.0</b>	<b>21.6</b>	<b>21.9</b>	<b>0.3</b>	<b>2%</b>	<b>2.1</b>	<b>11%</b>
<b>Financial sector entities</b>	<b>2.0</b>	<b>1.9</b>	<b>2.1</b>	<b>2.4</b>	<b>2.1</b>	<b>(0.2)</b>	<b>(9%)</b>	<b>0.2</b>	<b>8%</b>
including reverse repo receivables	-	-	0.1	0.1	0.2	0.1	211%	0.2	-
<b>Non-financial sector entities</b>	<b>17.9</b>	<b>18.2</b>	<b>18.9</b>	<b>19.2</b>	<b>19.8</b>	<b>0.6</b>	<b>3%</b>	<b>1.9</b>	<b>11%</b>
<b>Institutional Banking</b>	<b>11.1</b>	<b>11.5</b>	<b>11.9</b>	<b>12.2</b>	<b>12.6</b>	<b>0.5</b>	<b>4%</b>	<b>1.6</b>	<b>14%</b>
<b>Consumer Banking</b>	<b>6.8</b>	<b>6.8</b>	<b>6.9</b>	<b>7.1</b>	<b>7.2</b>	<b>0.1</b>	<b>1%</b>	<b>0.4</b>	<b>5%</b>
Unsecured receivables	5.3	5.3	5.4	5.5	5.5	0.0	1%	0.2	3%
Credit cards	2.5	2.5	2.7	2.7	2.7	0.0	1%	0.2	7%
Cash loans	2.7	2.7	2.7	2.7	2.7	(0.0)	(0%)	(0.0)	(0%)
Other unsecured receivables	0.1	0.1	0.1	0.1	0.1	0.0	13%	0.0	22%
Mortgage	1.5	1.5	1.5	1.6	1.6	0.0	3%	0.2	12%
Other assets	2.3	2.3	2.4	2.3	2.3	(0.1)	(3%)	0.0	0%
<b>Total assets</b>	<b>43.0</b>	<b>44.5</b>	<b>44.1</b>	<b>45.2</b>	<b>49.3</b>	<b>4.1</b>	<b>9%</b>	<b>6.3</b>	<b>15%</b>
Liabilities due to banks	1.6	3.2	2.1	2.4	1.4	(1.0)	(41%)	(0.2)	(11%)
Financial liabilities held-for-trading	1.4	1.7	1.6	1.3	1.6	0.3	27%	0.3	19%
<b>Financial liabilities due to customers</b>	<b>32.1</b>	<b>31.3</b>	<b>32.5</b>	<b>33.4</b>	<b>38.3</b>	<b>5.0</b>	<b>15%</b>	<b>6.2</b>	<b>19%</b>
<b>Financial sector entities - deposits</b>	<b>4.9</b>	<b>5.9</b>	<b>6.4</b>	<b>5.7</b>	<b>7.0</b>	<b>1.4</b>	<b>24%</b>	<b>2.2</b>	<b>45%</b>
<b>Non-financial sector entities - deposits</b>	<b>27.1</b>	<b>25.2</b>	<b>25.8</b>	<b>27.4</b>	<b>31.1</b>	<b>3.6</b>	<b>13%</b>	<b>4.0</b>	<b>15%</b>
<b>Institutional Banking</b>	<b>16.7</b>	<b>14.5</b>	<b>14.8</b>	<b>16.1</b>	<b>19.2</b>	<b>3.0</b>	<b>19%</b>	<b>2.4</b>	<b>14%</b>
<b>Consumer Banking</b>	<b>10.3</b>	<b>10.7</b>	<b>11.0</b>	<b>11.3</b>	<b>11.9</b>	<b>0.6</b>	<b>5%</b>	<b>1.6</b>	<b>15%</b>
Other financial liabilities	0.2	0.2	0.2	0.2	0.3	0.1	25%	0.1	58%
Other liabilities	1.0	1.2	1.2	1.3	0.9	(0.4)	(31%)	(0.1)	(13%)
<b>Total liabilities</b>	<b>36.1</b>	<b>37.4</b>	<b>37.4</b>	<b>38.3</b>	<b>42.2</b>	<b>3.9</b>	<b>10%</b>	<b>6.1</b>	<b>17%</b>
<b>Equity</b>	<b>6.9</b>	<b>7.1</b>	<b>6.7</b>	<b>6.8</b>	<b>7.1</b>	<b>0.2</b>	<b>3%</b>	<b>0.1</b>	<b>2%</b>
<b>Total liabilities &amp; equity</b>	<b>43.0</b>	<b>44.5</b>	<b>44.1</b>	<b>45.2</b>	<b>49.3</b>	<b>4.1</b>	<b>9%</b>	<b>6.3</b>	<b>15%</b>
Loans / Deposits ratio	62%	64%	65%	65%	57%				
<b>Total Capital Ratio</b>	<b>17.9%</b>	<b>17.3%</b>	<b>17.1%</b>	<b>16.9%</b>	<b>16.8%</b>				
<b>NPL*</b>	<b>3.2%</b>	<b>3.2%</b>	<b>3.2%</b>	<b>3.1%</b>	<b>3.0%</b>				

\*as reported, incl. reverse repo