

November 9, 2015

www.citihandlowy.pl

Bank Handlowy w Warszawie S.A.

Bank Handlowy w Warszawie S.A.

Q3 consolidated financial results

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, and a registered trademark symbol (®) to the right.

Continuation of strategy implementation: stability, sustainability & growth

1 **Loans volume increase** in institutional (+15% YTD) and retail segment (+4% YTD). Bank **continued risk-off strategy** in activity based on fixed income.

2 Efficient **retail banking model** adjusted to market trends. **Citi Mobile** – implementation of new mobile banking application. **Target:** Return to the **leader position** in mobile banking.
Development of EM Champions program and leading role in institutional clients domestic and foreign expansion.

3 **High Bank's profitability in Q3** – ROTE (14.0%) and ROA (1.4%) ratios significantly above banking sector level (ROTE 8.7% and ROA 1.0%).
Strong Bank's capital position (Tier 1 at the level of 16.2%) allowing **growth of cooperation scale** with clients and consequent maintenance of **dividend pay-out**.

4 Challenges: **change of interest rates trend, bank taxation increase, regulatory requirements increase.**

Success of retail banking transformation

Smart Banking Concept – efficient „cloud” distribution channel

Sales channels development

Successive quality increase

Significant impact on sales volume



16 #Smart branches

NPS
+16 p.p. YoY

Branches



Smart Stands

NPS
+12 p.p. YoY

Citibank Online



Central Call Sales

NPS
+14 p.p. YoY

CitiPhone

Internet Sales

Sales of credit to credit cards

+39% YoY

Increase of clients number in strategic areas

CitiGold Clients

+4% YoY

CitiPriority Clients

+6% YoY

Focus on investment products

Value of funds collected in investment products

+8% YoY

Sale of structured products

+89% YoY

New Citi Mobile – answer to clients needs

Target: #1 in Mobile Banking

83% of mobile banking users make money transfers using the application



Instant money transfer to any Citi account owner worldwide

70% check account balance using the application



Snapshot: account, card and last transactions balance visible without logging in

More than 50% of Citi Handlowy clients use possibility to match card with FX account



Mobile matching of cards with FX accounts



Credit cards – maintenance of leader position

25%

+3 p.p.
r./r.

Credit cards market leader

Value of credit card loans granted – market share

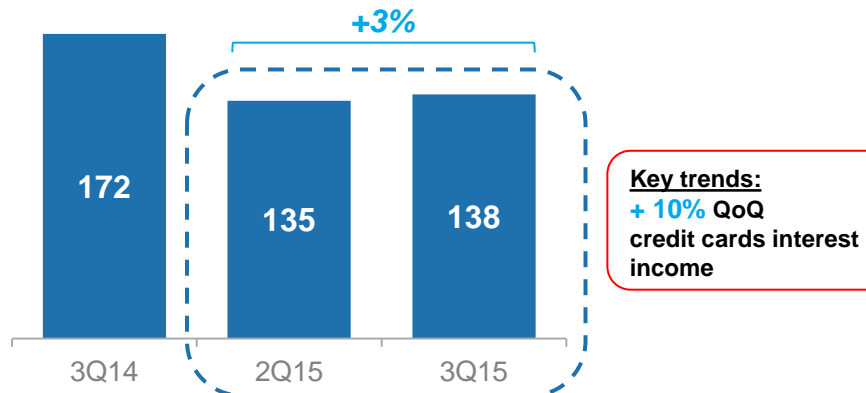


74% of new Citi Handlowy cards holders actively use Citi Simplicity Credit Card
(data as of October)

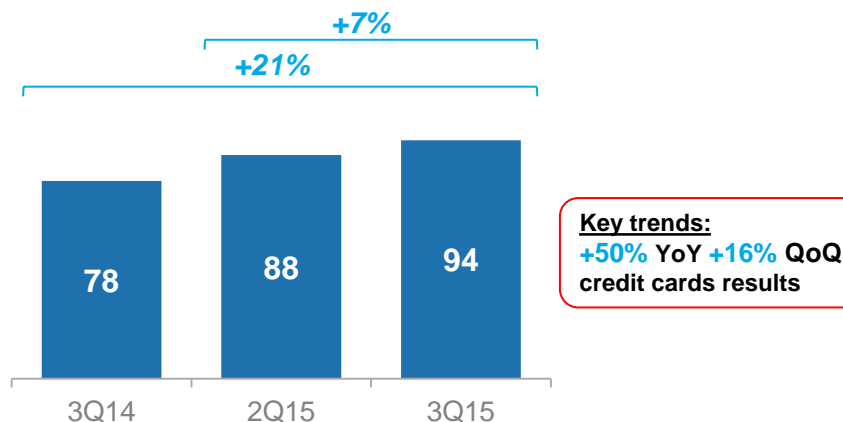
Source: „Postawy Polaków wobec finansów”, Millward Brown for Kronenberg Foundation at Citi Handlowy

Retail Banking – financial results & volumes

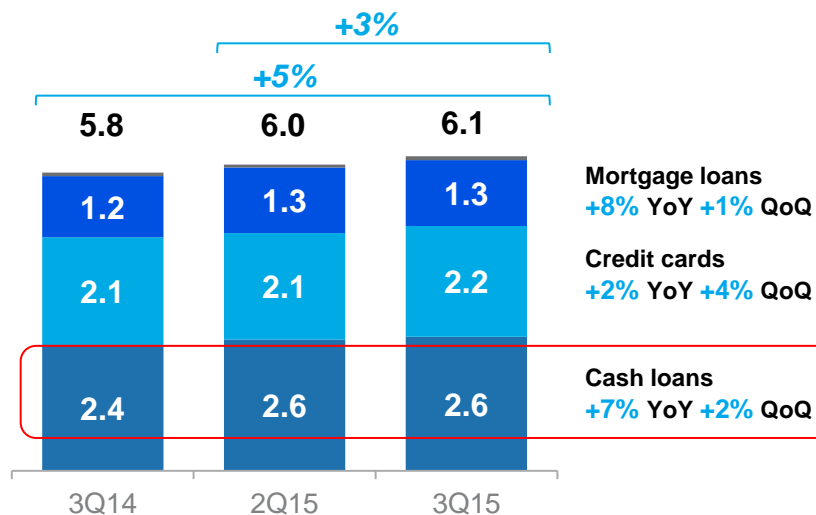
Net interests income (PLN MM)



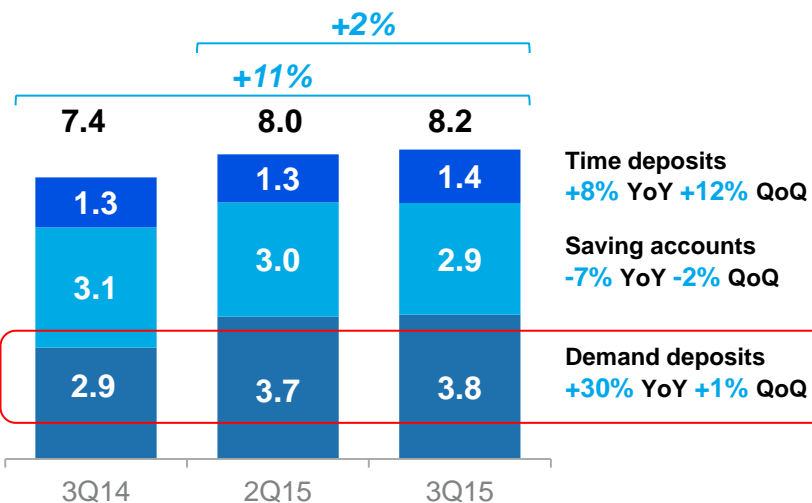
Net fee & commission income (PLN MM)









Loans (PLN B)



Deposits (PLN B)

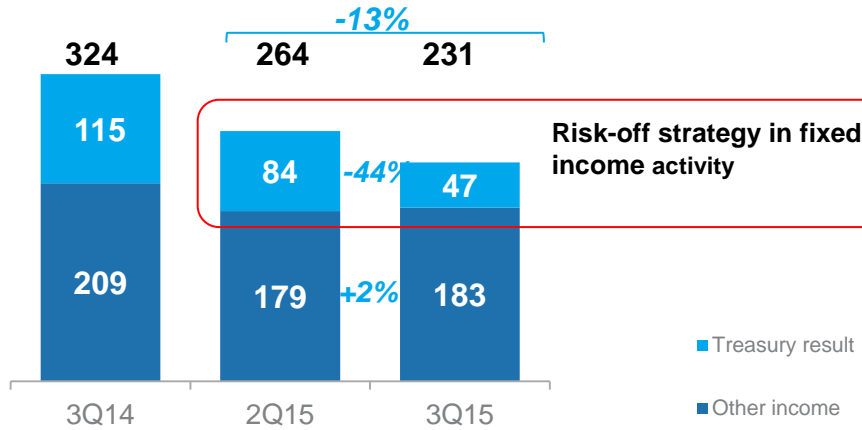


Solid basis of institutional banking

Engagement in strategic projects	Usage of strong capital position and structural liquidity of the Bank			
	 <p>PLN 5.5 B – syndicated loan Credit Agent – role of the Bank Meeting environmental requirements - Implementation of investment program</p>	 <p>PLN 12.5 B – loan agreement Mandated Lead Arranger – – role of the Bank Debt refinancing project</p>	<p>Long-term relations</p> <p>11</p> <p>New clients relations in global clients group</p>	
	<p>Supplier Finance Program for global clients and Polish companies</p> <p>Global client ↔ Local client</p> 		<p>Access to unique global expertise</p>  <p>Program Emerging Market Champions citi handlowy</p> <p>304 (+18 YoY) Global companies investing in Poland with Citi Handlowy support</p> <p>57 (+8 YoY) Polish companies investing globally with Citi Handlowy support</p>	
Financial markets	<p>Leading position in financial markets</p> <div style="display: flex; justify-content: space-between;"> <div> <p>#1 on the market</p>  <p>act as Treasury Securities Dealer</p> </div> <div> <p>FX turnover</p> <p>Volume +12% QoQ</p> <p>CitiFXPULSE </p> </div> <div> <p>Railway sector company</p> <p>Debt issuance program</p> <p>PLN 200 MM</p> <p>Arranger Issuance Agent Dealer</p> </div> </div>		<p>DM Citi Handlowy – #1 on capital market</p> <div style="display: flex; justify-content: space-between;"> <div> <p>TVN S.A. Intermediary (call on 100% of TVN S.A. shares)</p> <p>PLN 3.5 B</p> <p>Dom Maklerski citi handlowy</p> <p>August 2015</p> </div> <div> <p>TVN S.A. Intermediary (obligatory buy out of TVN S.A. shares)</p> <p>PLN 85 MM</p> <p>Dom Maklerski citi handlowy</p> <p>September 2015</p> </div> <div style="border: 1px dashed black; padding: 5px;"> <p>DM Citi Handlowy</p> <p>Market share 11%</p> <p>Turnover volume PLN 11 B</p> </div> </div>	

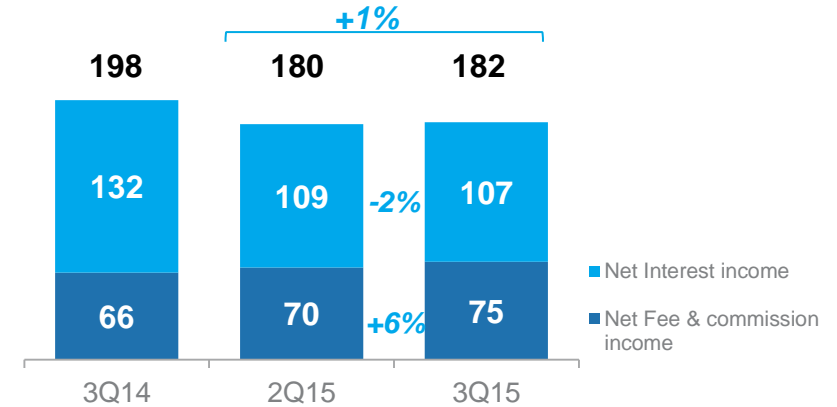
Institutional banking – financial results & volumes

Revenues (PLN MM)

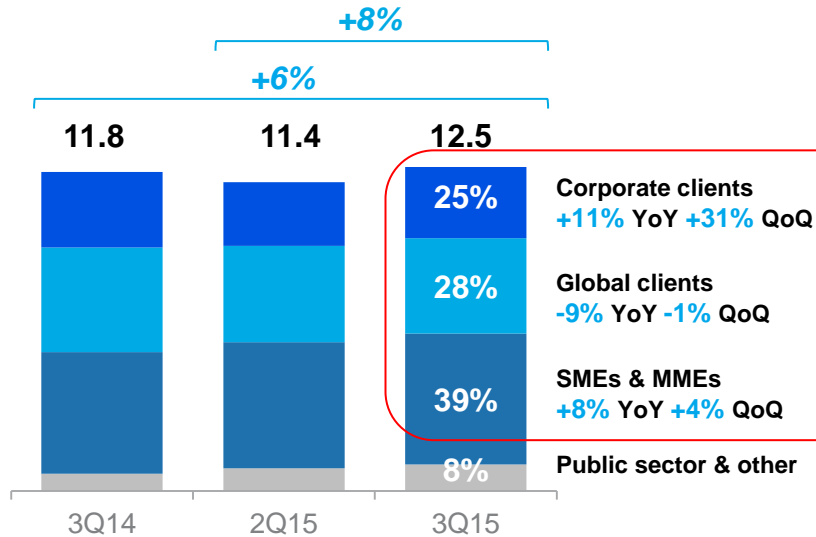


Net interest income and net fee & commission income (PLN MM)

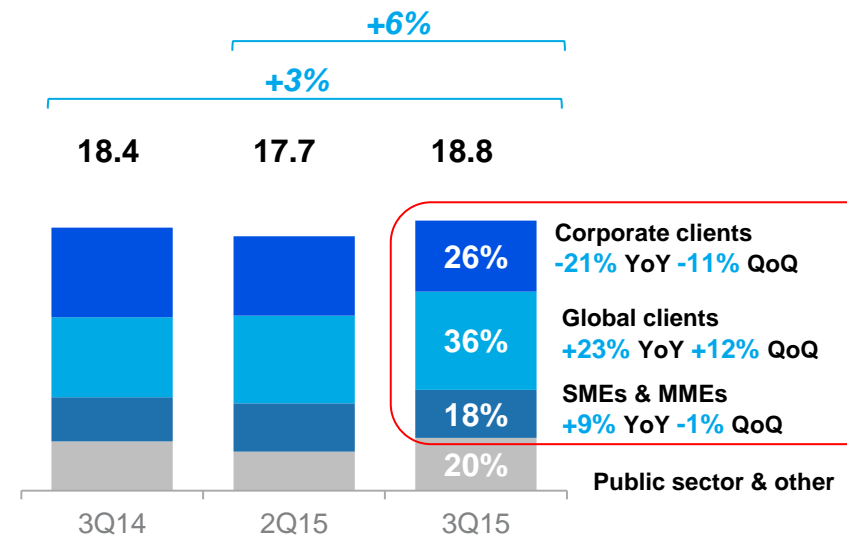
excl. hedge accounting



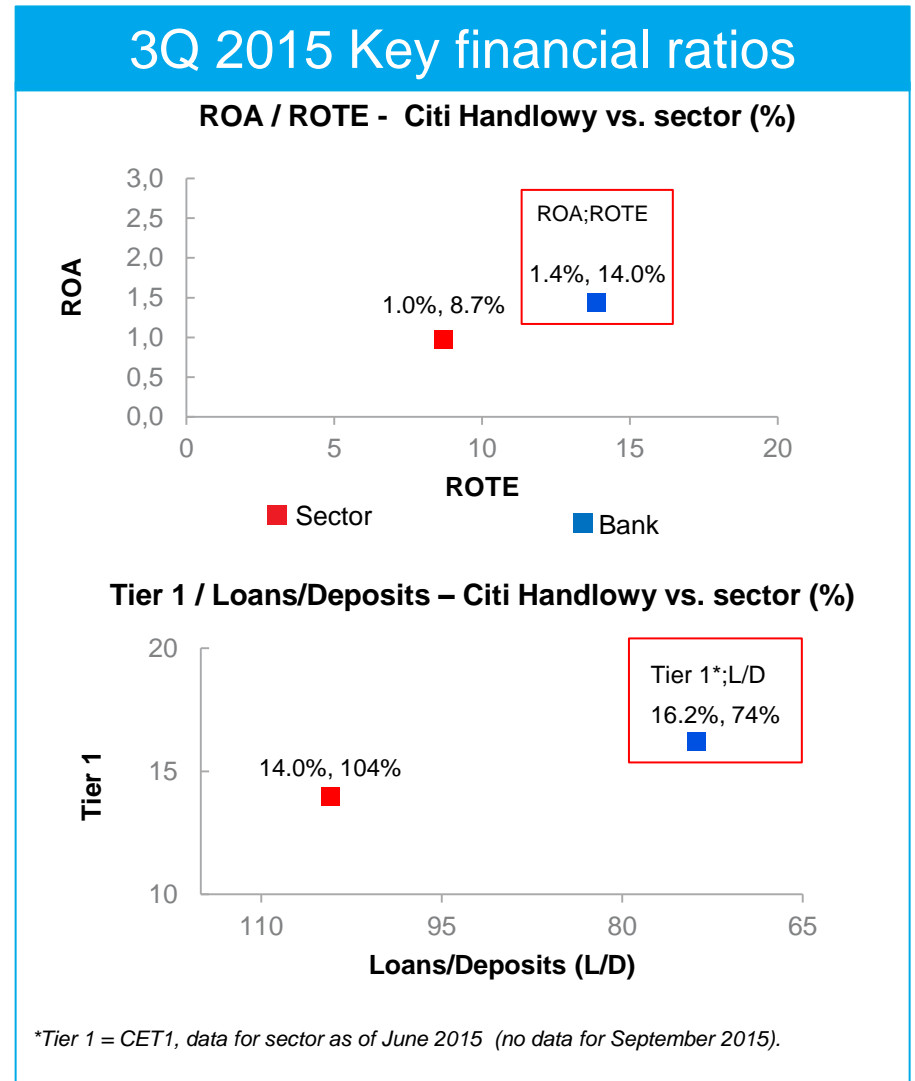
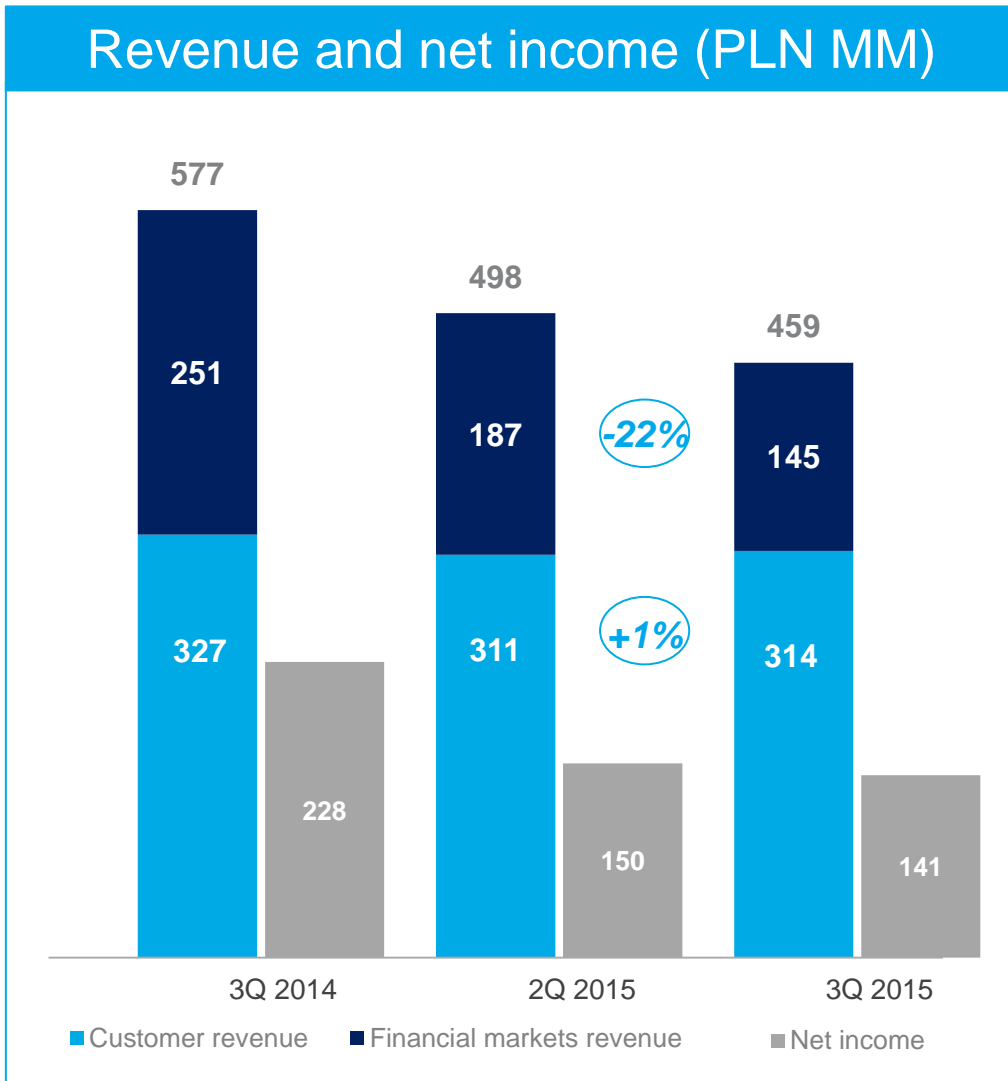
Loans (PLN B)



Deposits (PLN B)



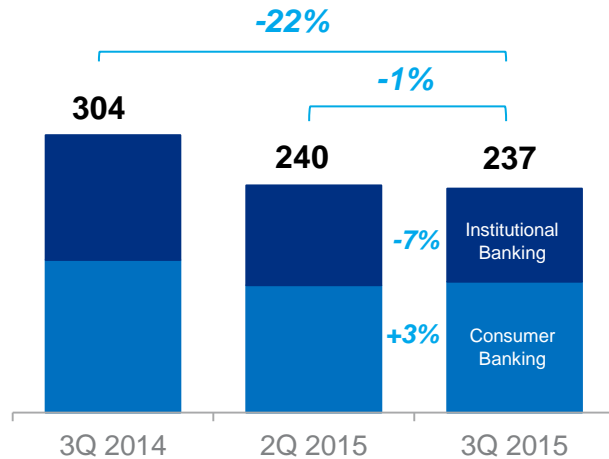
Revenue and net income



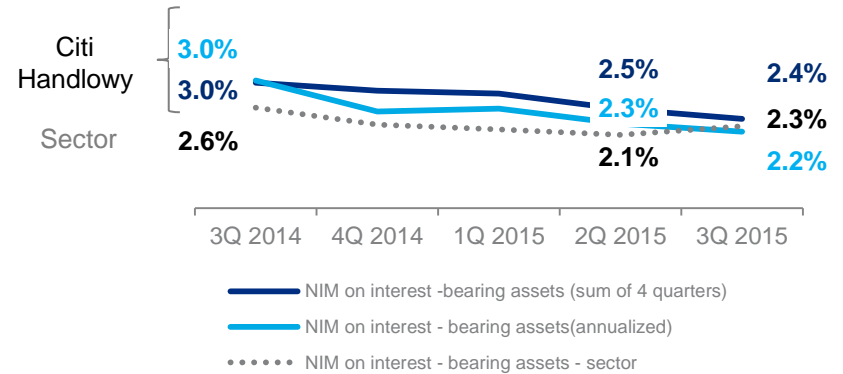
Key efficiency and safety ratios better than in the banking sector

Net interest income and net fee & commission income

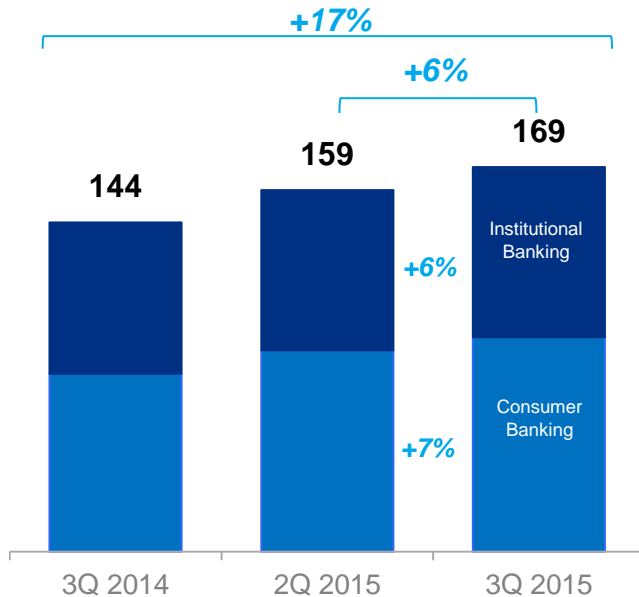
Net interest income (PLN MM)



Net Interest Margin (NIM) – Bank vs. sector

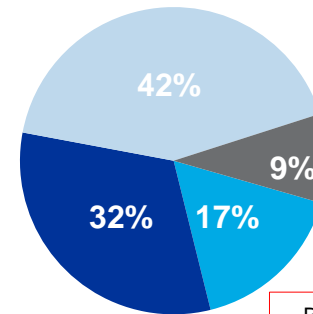


Net fee & commission income (PLN MM)



Institutional banking +13% YoY

Transactional Banking incl. trade products
-5% YoY

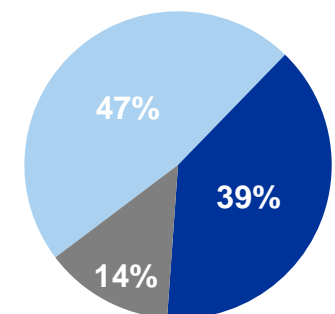


Custody
-1% YoY

Brokerage
+104% YoY

Consumer Banking +21% YoY

Investment & insurance products
-7% YoY

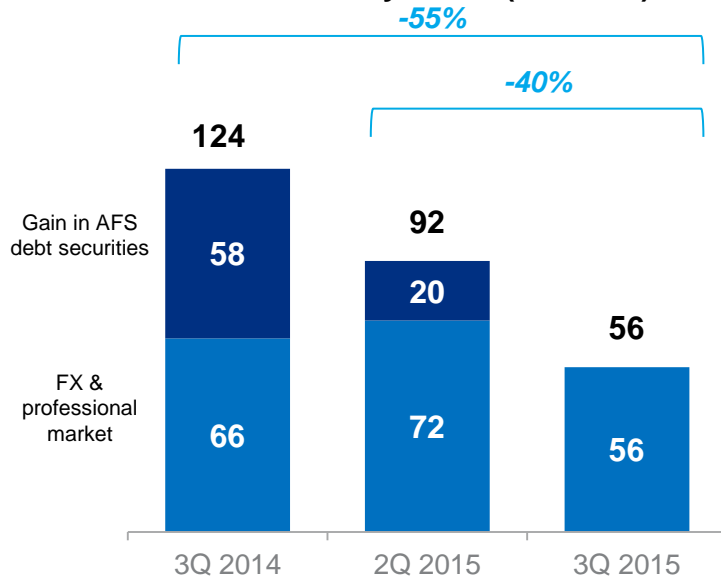


Cash loans and other
+64% YoY

Credit cards
+50% YoY

Treasury

Treasury result (PLN MM)



#1 on the market

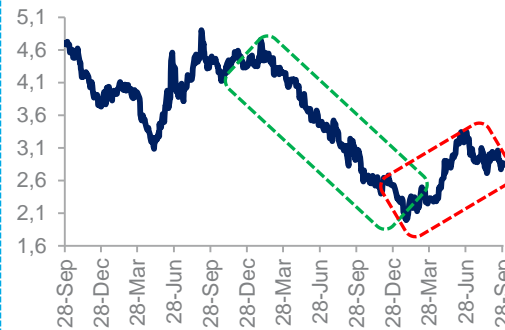
In the contest of Ministry of Finance



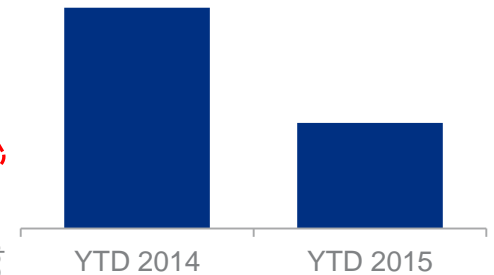
to act as

Treasury Securities Dealer

10 years treasury yield



Result on the interbank market operations

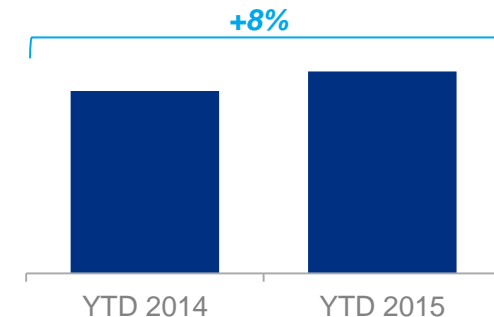


Note: The scales on the graphs are not comparable.

CitiFX PULSE

Leading position in foreign exchange operations - **CitiFX Pulse** platform used in **79%** of exchange transactions

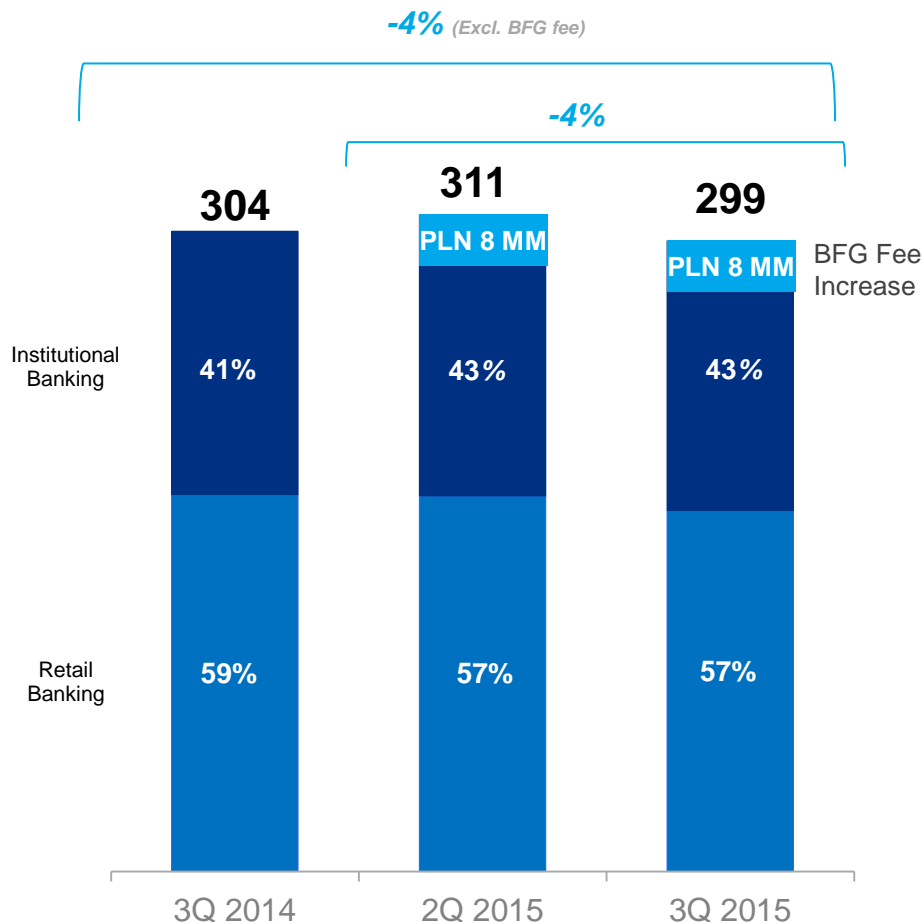
Result on client operations*



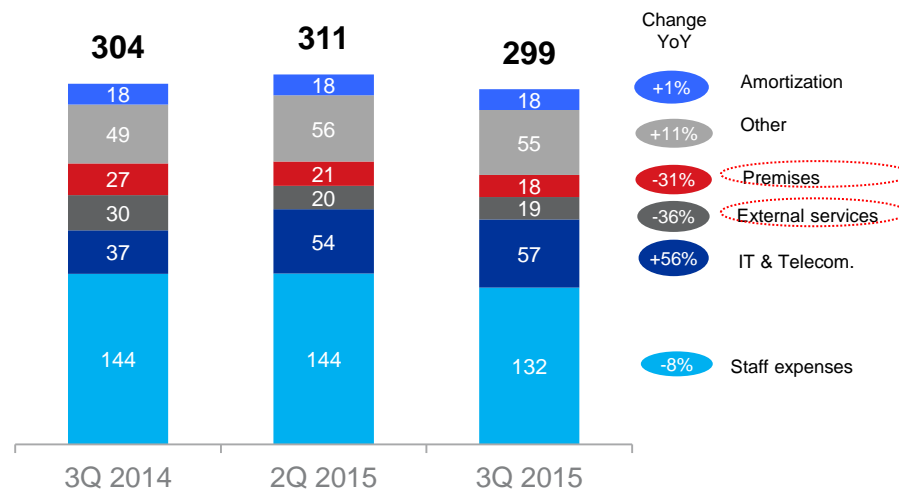
Note: Excl. CVA

Consistent cost control

Operating expenses and depreciation (PLN MM)



Expenses and depreciation (PL MM) by type

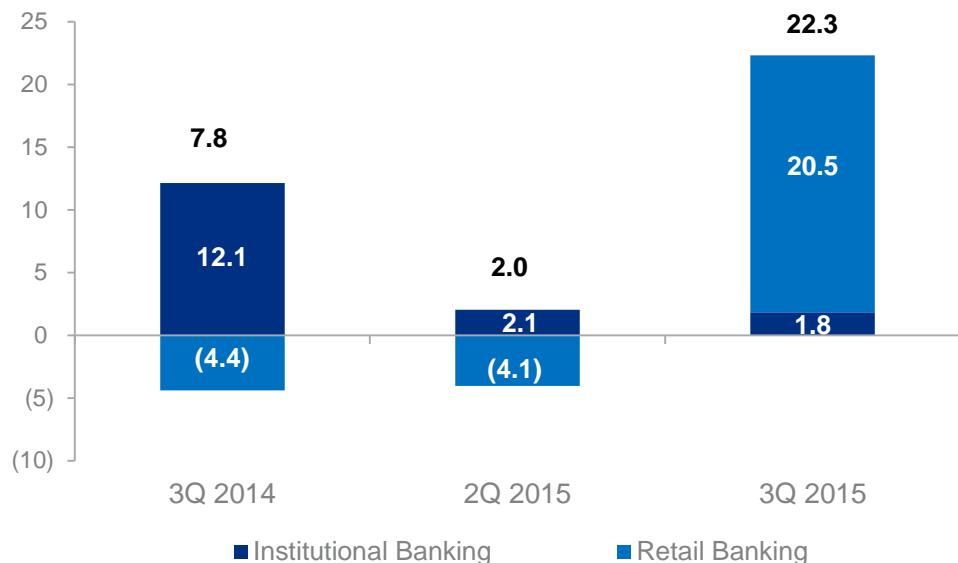


Year over year comments:

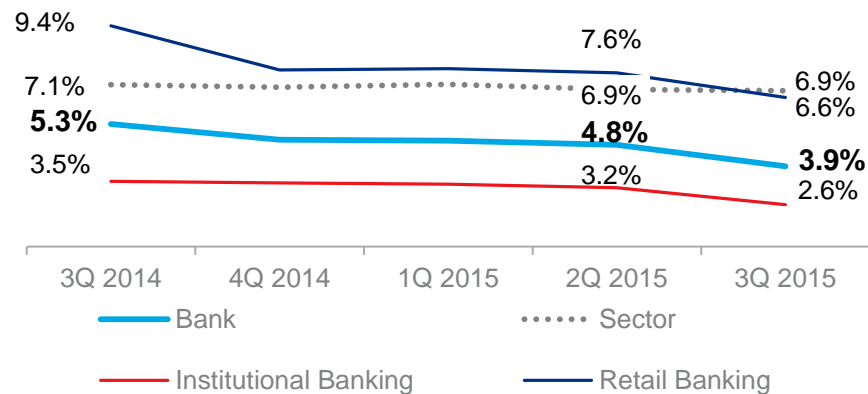
- **The decrease in Bank's expenses** mainly due to lower staff costs and spending on cooperation with selected external partners
- **Expense discipline** allowed for additional **BGF contribution** expenses absorption
- **Cost / Income ratio at 65%** for 3Q15 vs. **53%** for 3Q14

Positive trend in the area of credit risk

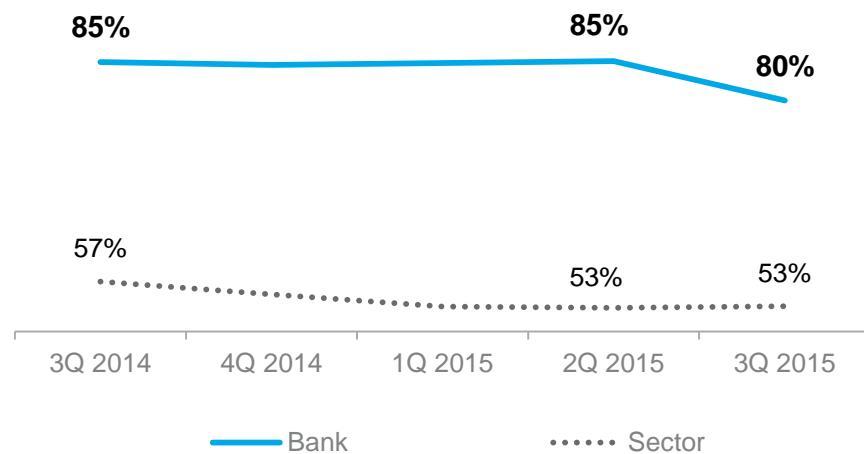
Net impairment losses (PLN MM)



Non-performing loans ratio (NPL)



Provision coverage ratio

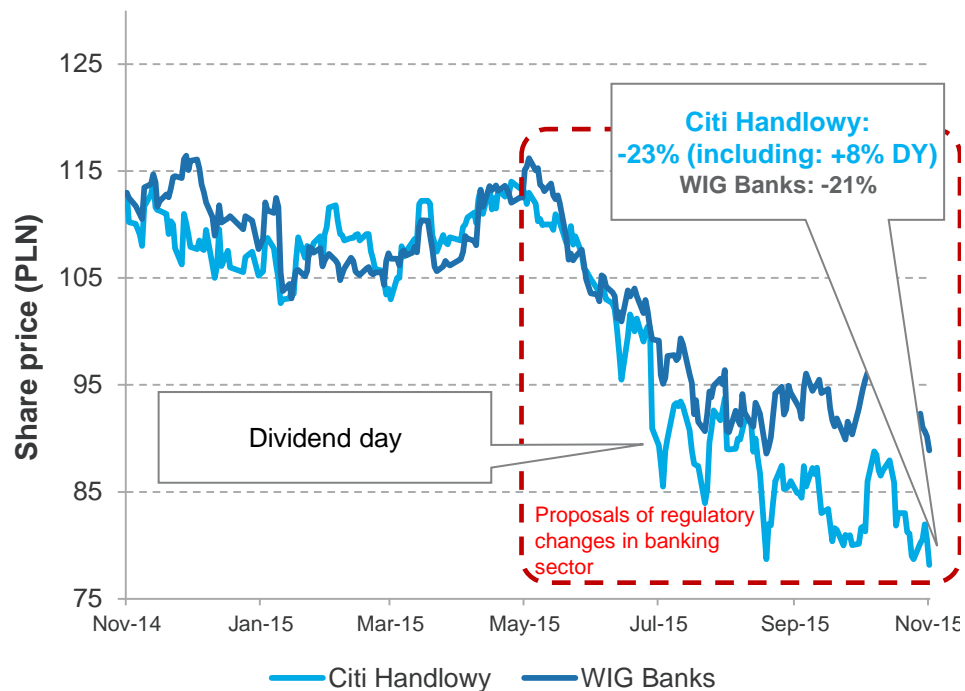


Year over year comments:

- Sale of credit card loans and cash loans non-performing portfolio:
 - Value of portfolio sold: **PLN 156.3 MM**
 - P&L impact: **PLN 21.0 MM**
- Good quality exposure increase in institutional banking segment
- Maintaining low level of **NPL** ratio
- **Provision coverage ratio** better than sector

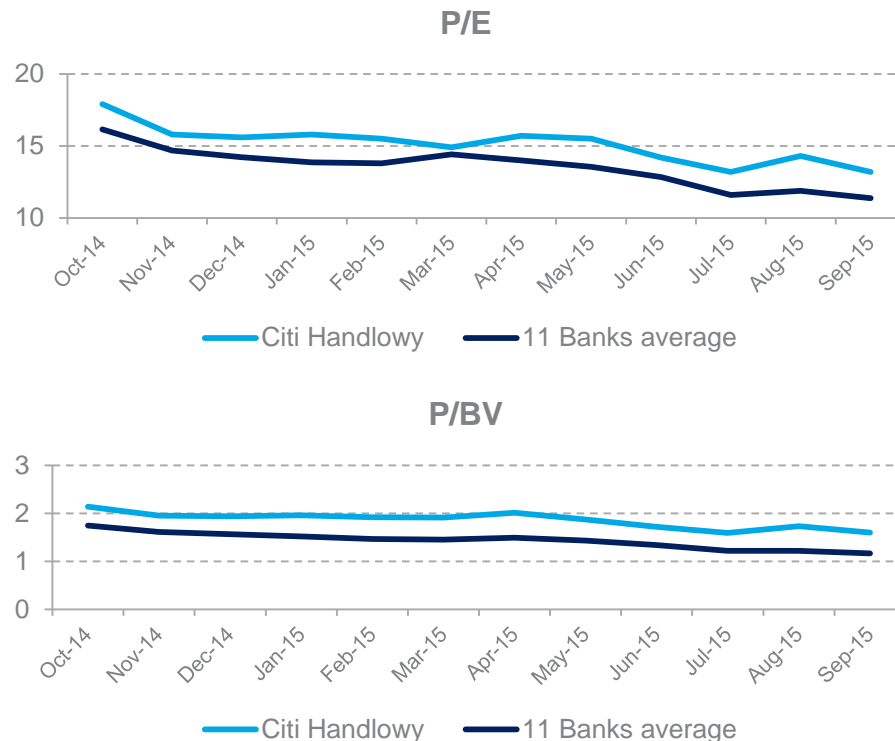
Change in Bank's share price

Citi Handlowy share price vs. WIG Banks index



Note: Last quotation from November 6th., 2015 (Citi Handlowy: PLN 78.17)

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



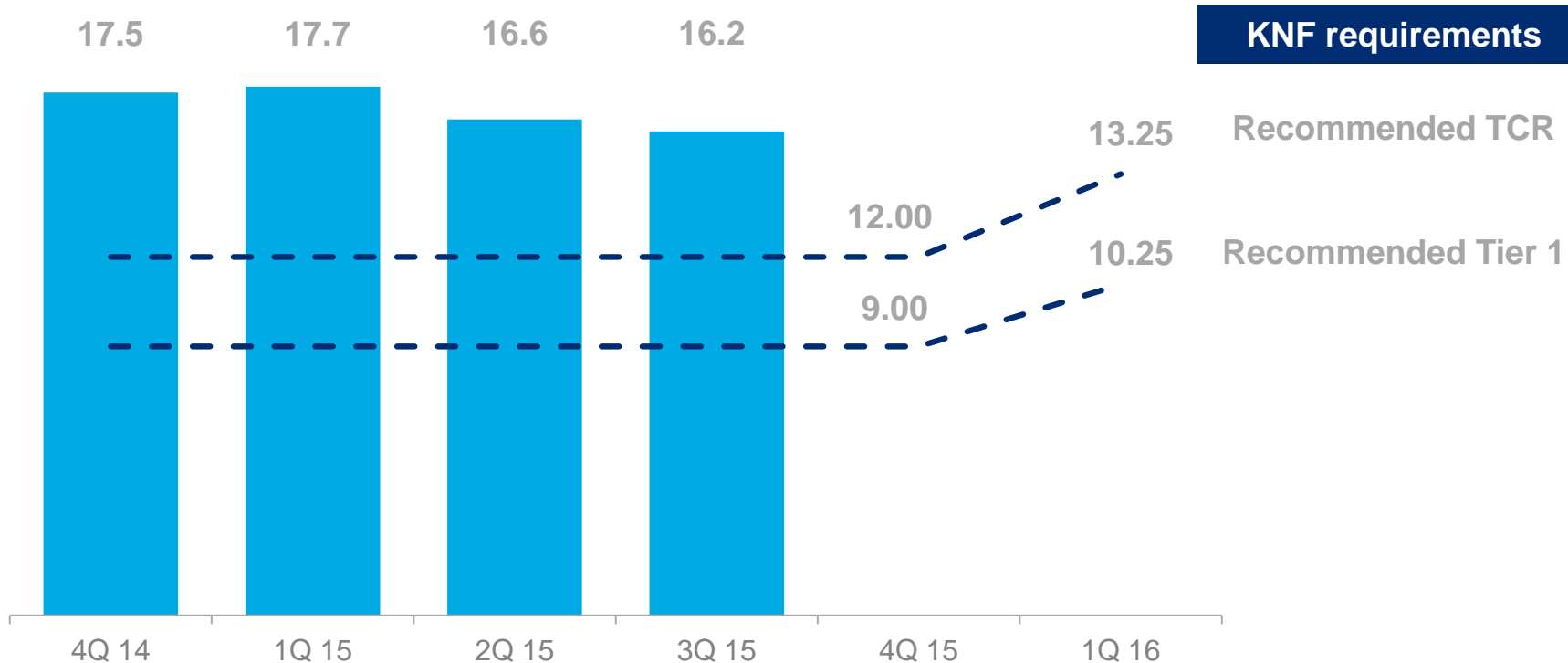
Source: WSE, own calculations

Dividends paid by Citi Handlowy (2009-2014)

	2009	2010	2011	2012	2013	2014
Dividend payout ratio	94%	100%	50%	75%	100%	100%
Dividend yield	7.1%	7.1%	3.3%	7.1%	7.0%	7.4%

Stable capital position

Bank's capital adequacy ratio = TIER 1



Total capital requirement (TCR) = Tier 1 at the level of 16.2% (capital requirement ratio higher by **2.95 p.p.** and Tier 1 by **5.95 p.p.** above KNF recommendation)

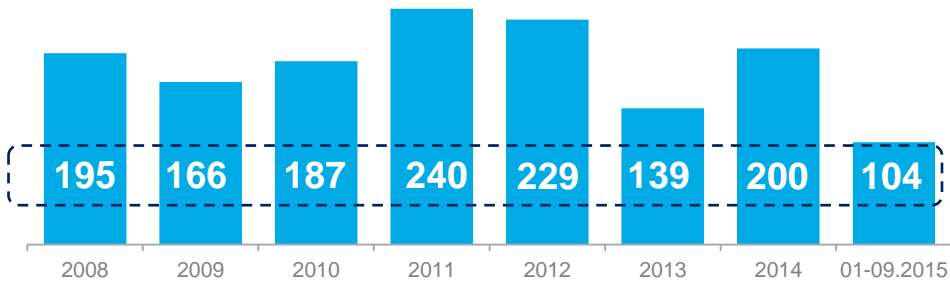
Risk factors for banking sector

Risk factor		Risk for Citi Handlowy vs. banking sector	Impact on banking sector
Interest rates		HIGH	Net interest income decreased by PLN 2.3 B (-8% YoY) in 2015
Bank tax		LOW	Potentially PLN 6 B (on the base of sector's asset as of the end of 3Q 2015, assuming 0.39% tax rate)
FCY mortgage loans		NOT RELEVANT	Potentially PLN 22 B (according to KNF and act approved by Parliament on August 5th 2015)
Incoming regulatory requirements	Borrowers' Support Fund	NOT RELEVANT	PLN 600 MM (Act on support of borrowers, being in hard financial situation, who took out a mortgage loan in Switzerland Frank, approved by Parliament on October 9th, 2015)
	Changes in BGF	LOW	Potentially increase from PLN 2 B in 2015 up to PLN 12 B during 2 years period (according to ZBP, BFG Act project)
	Client protection	LOW	No estimations available
	IFRS 9	Under assessment	Under assessment

Taxes paid by Citi Handlowy

Corporate tax paid by Citi Handlowy

Since the beginning of financial crisis Bank paid to state budget (CIT, PLN)



➔ PLN 1.5 B

PLN 2 B

Subventions for education in 2014

PLN 7 B

Healthcare spendings in 2014

PLN 23 B

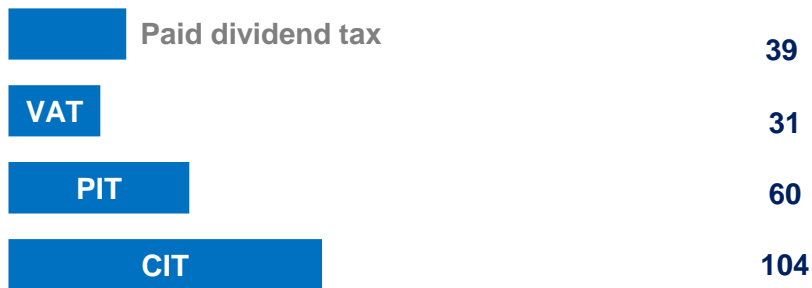
Expenditure for national defense in 2014

Tax paid by banking sector (PLN B). Source: KNF



➔ PLN 25.7 B

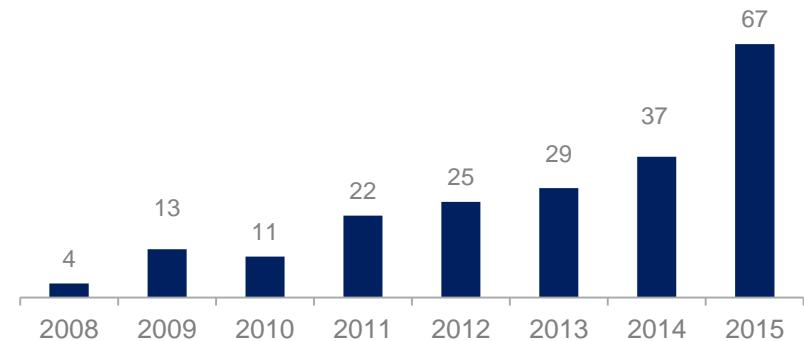
Bank's tax burden in 01-09.2015 (PLN MM)



Sum of all taxes paid by Citi Handlowy as a taxpayer in 01-09.2015:

➔ 234

Contribution to BFG

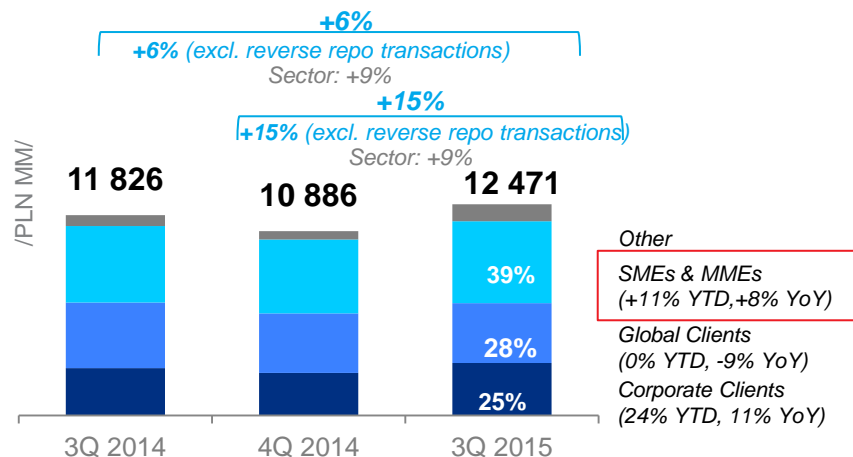


* Own calculations

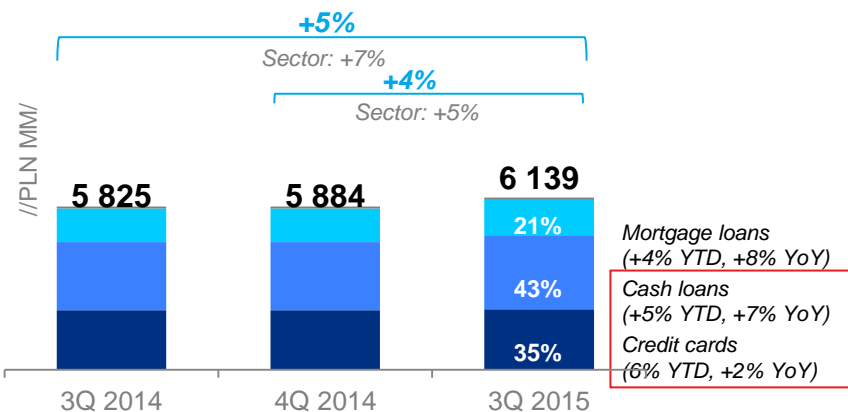
Appendix

Customer volumes

Institutional non-banking customers' loans

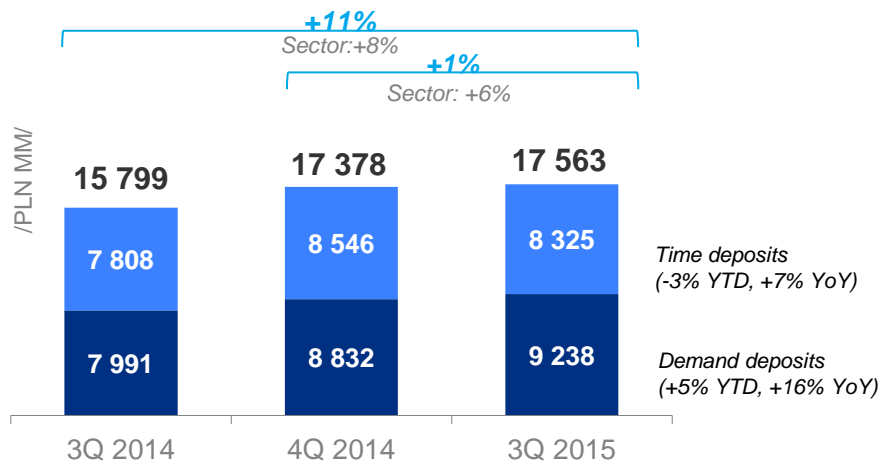


Individual customers' loans



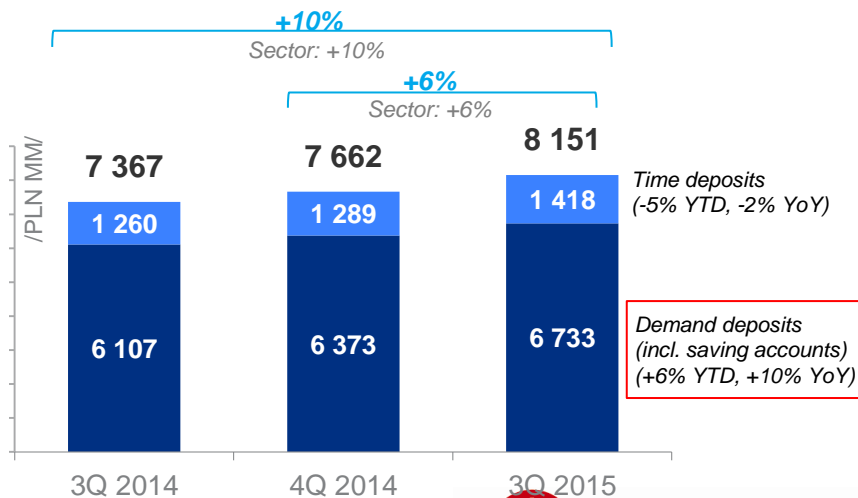
Loans/Deposits
74%

Institutional non-banking customers' deposits



Note: Excluding public sector deposits

Individual customers' deposits



Income statement - Bank

PLN MM	3Q14	4Q14	1Q15	2Q15	3Q15	3Q15 vs. 2Q15		3Q15 vs. 3Q14	
						PLN MM	%	PLN MM	%
Net interest income	304	265	257	240	237	(3)	(1%)	(67)	(22%)
Interest income	386	336	310	290	293	4	1%	(93)	(24%)
Interest expenses	(82)	(71)	(53)	(50)	(57)	(7)	14%	25	(31%)
Net fee and commission income	144	150	151	159	169	10	6%	24	17%
Dividend income	0	0	-	7	0	(7)	(98%)	0	64%
Gains on AFS debt securities	58	67	98	20	-	(20)	(100%)	(58)	(100%)
FX and professional market	66	85	86	72	56	(16)	(22%)	(10)	(15%)
Hedge accounting	0	-	-	1	4	3	371%	4	1199%
Treasury	124	152	184	93	60	(33)	(35%)	(64)	(51%)
Net gain on equity investment instruments	1	3	-	-	2	2	-	2	233%
Net other operating income	4	(1)	(1)	(1)	(9)	(7)	574%	(13)	(319%)
Revenue	577	568	591	498	459	(38)	(8%)	(118)	(20%)
Expenses	(286)	(310)	(295)	(294)	(282)	12	(4%)	5	(2%)
Depreciation	(18)	(18)	(18)	(18)	(18)	(0)	1%	(0)	1%
Expenses and depreciation	(304)	(327)	(313)	(311)	(299)	12	(4%)	5	(1%)
Operating margin	273	241	278	186	160	(26)	(14%)	(113)	(41%)
Profit/(loss) on sale of tangible fixed assets	1	5	0	0	0	(0)	(91%)	(1)	(99%)
Net impairment losses	8	12	(4)	(2)	22	24	-	15	187%
Share in profits / (losses) of entities valued at the equity method	0	(0)	0	0	0	0	36%	0	123%
EBIT	282	258	275	184	183	(2)	(1%)	(99)	(35%)
Corporate income tax	(53)	(53)	(58)	(34)	(42)	(7)	22%	12	(22%)
Net profit	228	205	217	150	141	(9)	(6%)	(88)	(38%)
C/I ratio	53%	58%	53%	63%	65%				

Institutional Banking – income statement

PLN MM	3Q14	4Q14	1Q15	2Q15	3Q15	3Q15 vs. 2Q15		3Q14 vs. 3Q15	
						PLN MM	%	PLN MM	%
Net interest income	137	132	116	111	98	(7)	(7%)	(33)	(25%)
Interest income	203	194	168	151	145	0	0%	(49)	(25%)
Interest expenses	(66)	(62)	(52)	(40)	(46)	(7)	19%	16	(25%)
Net fee and commission income	73	66	71	67	75	4	6%	8	13%
Dividend income	2	0	0	-	0	(1)	(89%)	0	64%
Gains on AFS debt securities	66	58	67	98	-	(20)	(100%)	(58)	(100%)
FX and professional market	98	57	77	78	47	(16)	(26%)	(10)	(17%)
Hedge accounting	-	0	-	-	4	3	4	4	1199%
Treasury	164	115	144	177	52	(33)	(39%)	(64)	(55%)
Net gain on equity investment instruments	-	1	3	-	2	2	-	2	2
Net other operating income	9	10	2	5	3	2	132%	(6)	(64%)
Revenue	385	324	337	361	231	(33)	(13%)	(93)	(29%)
Expenses	(137)	(119)	(131)	(131)	(122)	5	(4%)	(3)	2%
Depreciation	(6)	(6)	(6)	(6)	(6)	0	(0%)	(0)	1%
Expenses and depreciation	(142)	(125)	(137)	(137)	(128)	5	(4%)	(3)	2%
Operating margin	243	199	199	223	103	(28)	(21%)	(96)	(48%)
Profit/(loss) on sale of tangible fixed assets	0	1	0	0	0	0	467%	(1)	(97%)
Net impairment losses	0	12	(12)	(3)	2	(0)	(11%)	(10)	(85%)
Share in profits / (losses) of entities valued at the equity method	0	0	(0)	0	0	0	36%	0	123%
EBIT	243	212	187	220	105	(28)	(21%)	(107)	(51%)
CI ratio	37%	39%	41%	38%	55%				

Retail Banking – income statement

PLN MM	3Q14	4Q14	1Q15	2Q15	3Q15	3Q15 vs. 2Q15		3Q14 vs. 3Q15	
						PLN MM	%	PLN MM	%
Net interest income	172	149	146	135	138	4	0	(34)	(0)
Interest income	192	168	159	145	149	3	2%	(44)	(23%)
Interest expenses	(20)	(19)	(13)	(11)	(10)	0	(4%)	10	(49%)
Net fee and commission income	78	79	84	88	94	6	6%	16	21%
Dividend income	-	-	-	6	-	(6)	(100%)	-	-
FX and professional market	9	8	7	8	9	1	8%	0	2%
Net other operating income	(6)	(3)	(7)	(3)	(12)	(9)	337%	(7)	118%
Revenue	253	232	230	234	229	(5)	(2%)	(25)	(10%)
Expenses	(167)	(179)	(164)	(167)	(160)	7	(4%)	7	(4%)
Depreciation	(12)	(12)	(12)	(12)	(12)	(0)	2%	(0)	1%
Expenses and depreciation	(179)	(190)	(176)	(178)	(171)	7	(4%)	7	(4%)
Operating margin	75	42	55	56	57	2	3%	(17)	(23%)
Net impairment losses	(4)	24	(0)	(4)	21	25	-	25	-
EBIT	70	71	54	52	78	26	50%	8	11%
C/I ratio	71%	82%	76%	76%	75%				

Balance Sheet

PLN B	End of period						3Q15 vs. 2Q15		3Q15 vs. 3Q14	
	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	PLN B	%	PLN B	%
Cash and balances with the Central Bank	1,2	0,7	1,5	0,7	5,3	1,3	(4,0)	(76%)	0,6	94%
Amounts due from banks	4,6	2,6	2,1	2,0	3,6	1,4	(2,3)	(62%)	(1,3)	(48%)
Financial assets held-for-trading	7,0	10,8	12,7	13,7	9,6	8,5	(1,1)	(12%)	(2,3)	(21%)
Debt securities available-for-sale	12,9	15,8	14,4	11,2	13,2	17,4	4,3	32%	1,6	10%
Customer loans	17,0	17,7	16,8	17,1	17,4	18,6	1,2	7%	1,0	5%
Financial sector entities	1,2	1,3	1,0	1,4	1,0	1,1	0,1	10%	(0,1)	(11%)
including reverse repo receivables	0,6	0,7	0,6	0,9	0,6	0,7	0,1	16%	0,0	0%
Non-financial sector entities	15,8	16,4	15,7	15,8	16,4	17,5	1,1	7%	1,1	7%
Institutional Banking	10,1	10,6	9,9	9,9	10,4	11,3	0,9	9%	0,8	7%
Consumer Banking	5,6	5,8	5,9	5,8	6,0	6,1	0,2	3%	0,3	5%
Unsecured receivables	4,5	4,6	4,6	4,6	4,7	4,9	0,2	3%	0,2	5%
Credit cards	2,1	2,1	2,1	2,0	2,1	2,2	0,1	4%	0,0	2%
Cash loans	2,4	2,4	2,5	2,5	2,6	2,6	0,1	2%	0,2	7%
Other unsecured receivables	0,1	0,1	0,1	0,1	0,1	0,1	0,0	24%	0,0	4%
Mortgage	1,1	1,2	1,2	1,3	1,3	1,3	0,0	1%	0,1	8%
Other assets	2,7	2,7	2,3	2,5	2,5	2,6	0,1	4%	(0,2)	(7%)
Total assets	45,4	50,3	49,8	47,2	51,7	49,8	(1,9)	(4%)	(0,5)	(1%)
Liabilities due to banks	4,1	8,8	5,1	4,7	9,5	8,6	(0,9)	(9%)	(0,2)	(3%)
Financial liabilities held-for-trading	5,8	6,4	6,8	7,3	7,6	6,1	(1,5)	(20%)	(0,3)	(5%)
Financial liabilities due to customers	26,3	26,4	29,6	26,1	26,1	27,1	1,1	4%	0,7	3%
Financial sector entities - deposits	4,6	4,7	3,1	3,2	3,4	3,3	(0,1)	(4%)	(1,4)	(29%)
Non-financial sector entities - deposits	21,2	21,1	26,4	21,9	22,3	23,7	1,4	6%	2,6	13%
Institutional Banking	13,9	13,7	18,7	14,0	14,3	15,5	1,2	9%	1,9	14%
Consumer Banking	7,4	7,4	7,7	7,9	8,0	8,2	0,2	2%	0,8	11%
Other financial liabilities	1,4	0,5	0,7	0,1	1,0	1,0	0,0	0%	0,6	126%
Other liabilities	2,3	1,4	0,9	1,5	2,0	1,3	(0,7)	(35%)	(0,1)	(9%)
Total liabilities	38,4	43,1	42,4	39,6	45,1	43,1	(2,0)	(4%)	0,0	0%
Equity	6,9	7,2	7,4	7,6	6,6	6,7	0,1	2%	(0,5)	(7%)
Total liabilities & equity	45,4	50,3	49,8	47,2	51,7	49,8	(1,9)	(4%)	(0,5)	(1%)
Loans / Deposits ratio	74%	78%	60%	72%	74%	74%				
Capital Adequacy Ratio	17,0%	16,4%	17,5%	17,7%	16,6%	16,2%				
NPL*	5,8%	5,3%	4,9%	4,7%	4,7%	4,7%				

*as reported, incl. reverse repo