

# Bank Handlowy w Warszawie S.A.

## Consolidated financial results for 1Q 2019

May 6, 2019

[www.citihandlowy.pl](http://www.citihandlowy.pl)  
Bank Handlowy w Warszawie S.A.



# 2019 1Q key achievements



## Financial result

- Normalized net profit of PLN 155 MM – reported net profit PLN 59 MM, impacted by regulatory charges in amount of PLN 95 MM (increase by 86% YoY)
- Client revenues:
  - Institutional Banking: continuation of positive trend in transactional banking revenue +18% YoY and custody +14% YoY
  - Consumer Banking: confirmation of leading position in credit cards, revenues +6% YoY
- Central banks' view on interest rates impacting treasury result



## Business volumes

- Institutional clients loans increased by 14% YoY
- Individual clients deposits increased by 15% YoY
- FX turnover increased by 27% YoY
- Institutional clients demand deposits increased by 27% YoY



## Shareholders value

- Declared dividend payout equal to 75% of the 2018 net profit – yield 5.0%

# Selected Pillars of Consumer Banking Growth Strategy

## Digital Banking

Growing volume in online sales...



Cash loans sales  
**+37% YoY**



Number of credit cards sold online  
**42% of total sale**



Number of log-in to online banking channels **>9x**  
**+2% YoY**

## Anytime & Anywhere

...development of remote channels of contact with Bank...

### New format of SMART branch



- Opening of the Client zone accessible during holidays;
- Use of the state of the arts interactive tools.

### New version of Citi Mobile application for credit cards



The most important information about your card in one place



Immediate access to transactions history



Possibility to convert into installments each credit card transaction



Possibility to set up and change your credit card PIN



All benefits of your credit card in one place / tap & go functionality

## Contextual Banking

...implementation of advanced data analysis.

### Increase of marketing campaigns effectiveness

**2x**

Conversion growth, on the basis of tailor-made solutions for clients, prepared with support of machine learning tools

### Models supporting Clients' loyalty

Cost-efficient retention model – client behavior forecasting

**90%**

of Clients contacted by phone, continue relationship with the bank

### Growth of client base in strategic segments:

Citi Private Client **+19% YoY**

CitiGold **+11% YoY**

Citi Priority **+13% YoY**

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# Selected Pillars of Corporate Banking growth strategy

## Digital Banking

Development of digital solutions dedicated to Institutional Clients



**7 MM / 99.9%**

Number / share of transactions serviced in an electronic way



eForms – documentation exchange electronic platform for Institutional Clients

**58%** YoY reduction of paper in Institutional Banking

## Globality

New initiative for international SME companies investing in Poland – Commercial Subsidiaries Group (CSG)



**65%** of segment revenues comes from USA and South Korea investors

Trade Finance and Trade Services

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Increase of assets in Trade

**63% YoY**

Digitization of our Clients trade transactions services – eSignature / eGuarantees

**48%**

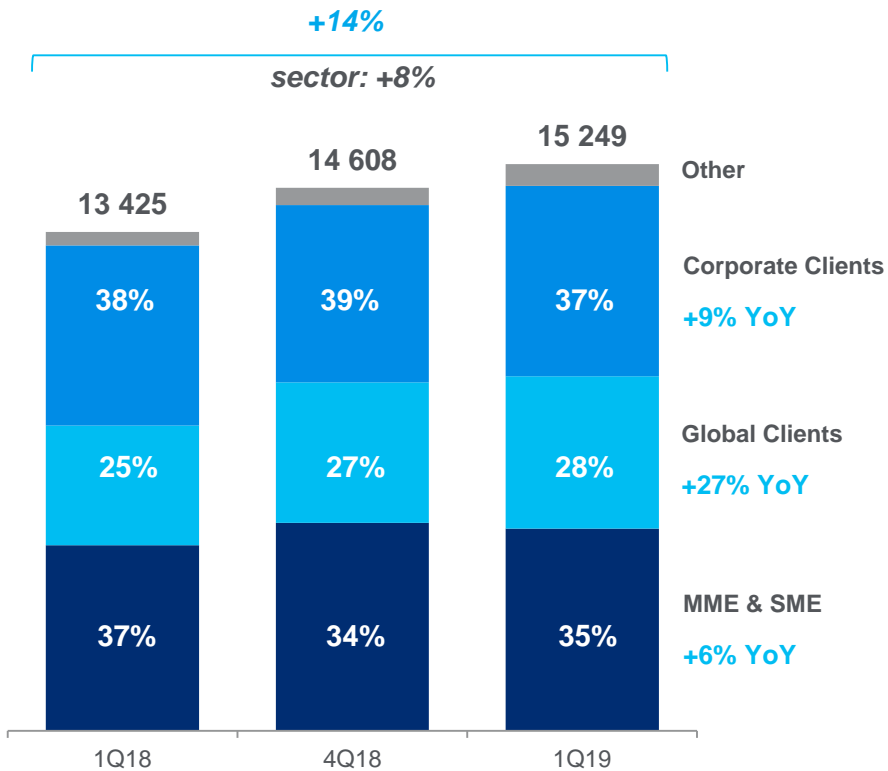
of Clients use eGuarantees solution

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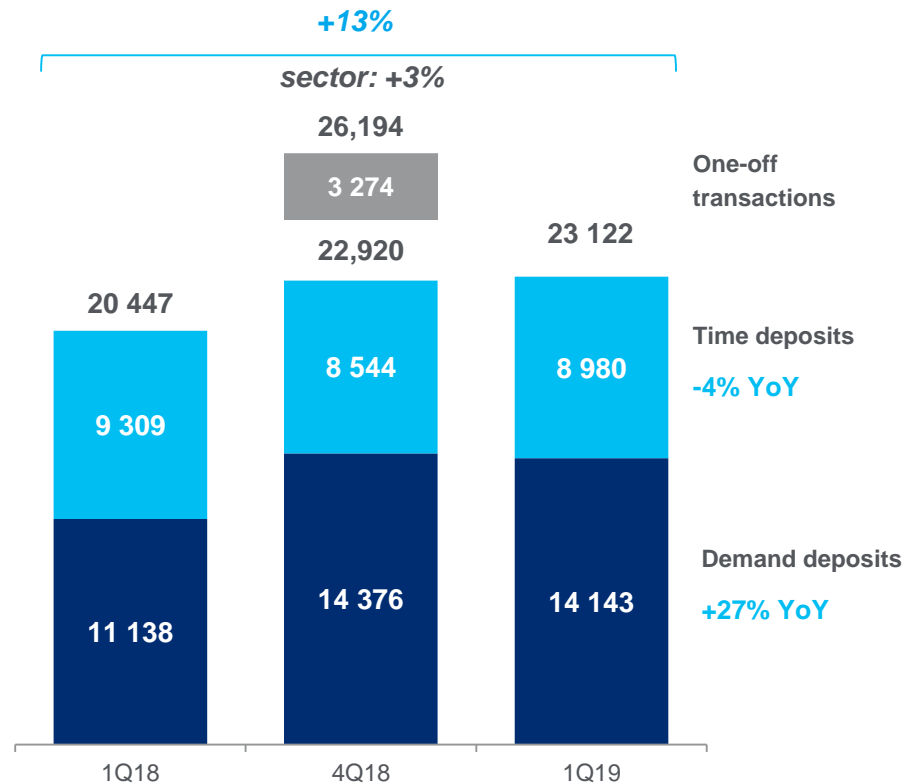
# Financial results

# Volumes – Institutional Banking

## Loans (PLN MM)

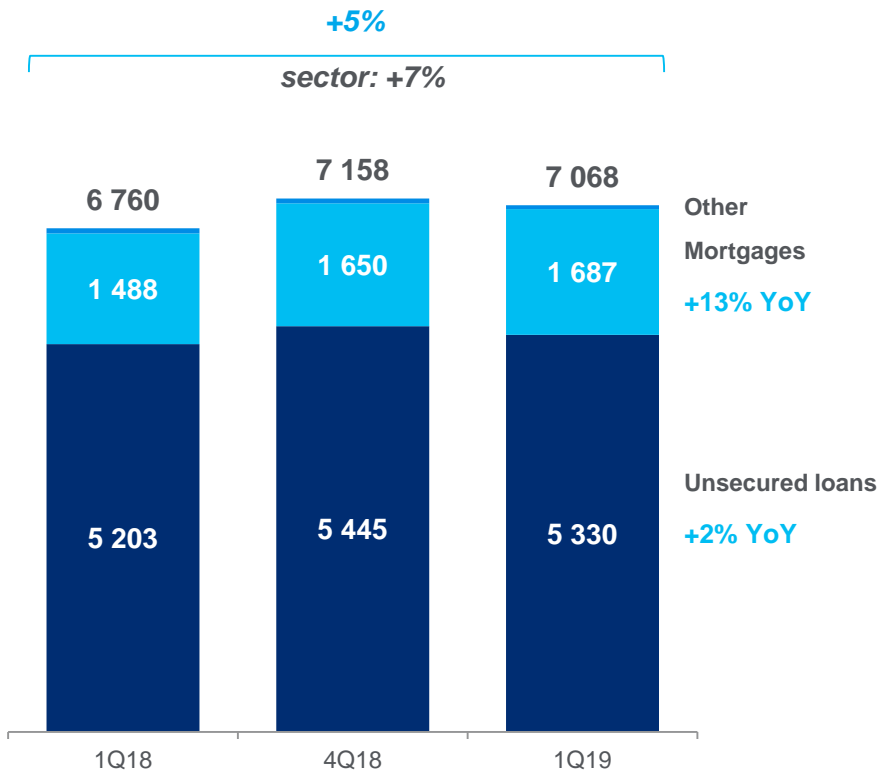


## Deposits (PLN MM)

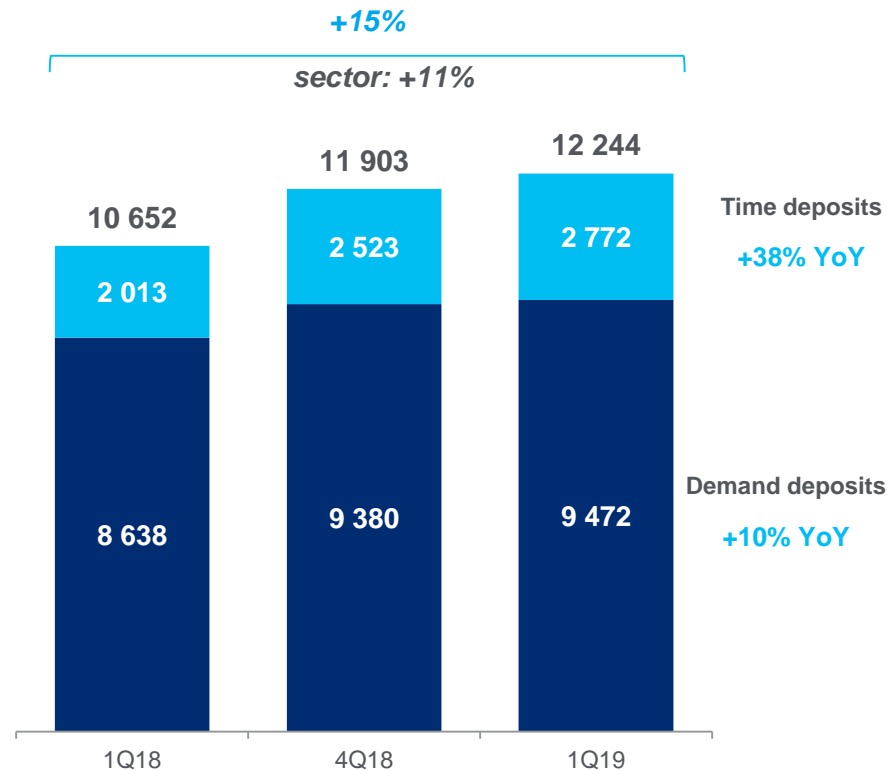


# Volumes – Consumer Banking

## Loans (PLN MM)

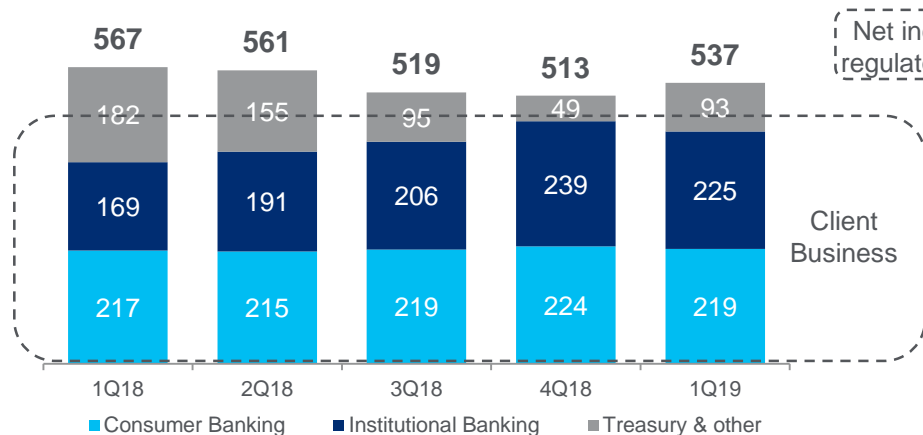


## Deposits (PLN MM)

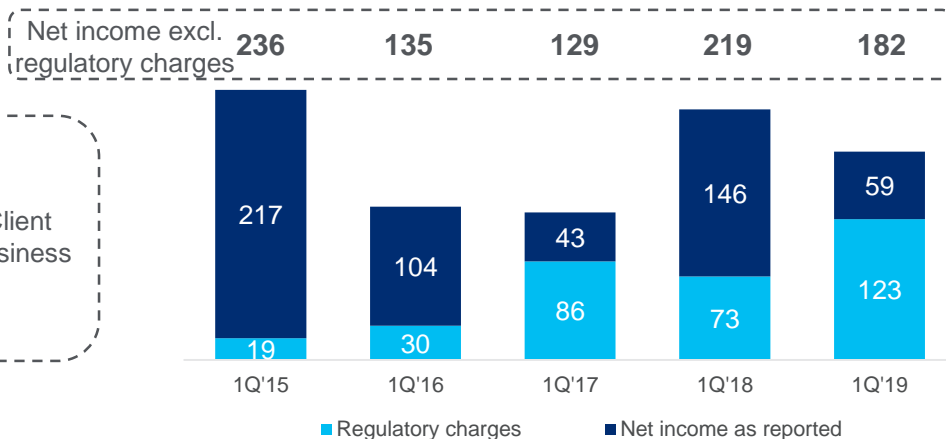


# Revenue and net income

## Revenue (PLN MM)



## Net income – excl. regulatory charges (PLN MM)



## Commentary – Client Business

- Institutional Banking:
  - ✓ **Transactional Banking:** +18% YoY as a result of operating accounts and trade finance increase;
  - ✓ **Custody:** +14% YoY as a result of accounts number increase.
- Consumer Banking:
  - ✓ **Cards:** +6% YoY

## Profitability ratios – excl. regulatory charges

	Q1'19	Banking sector
ROA <sup>1)</sup>	1.44%	1.0%
ROE <sup>2)</sup>	10.1%	9.1%
ROTE <sup>3)</sup>	12.4%	9.3%

1) ROA = 4 consecutive quarters net income sum / 4 consecutive quarters average assets volume;

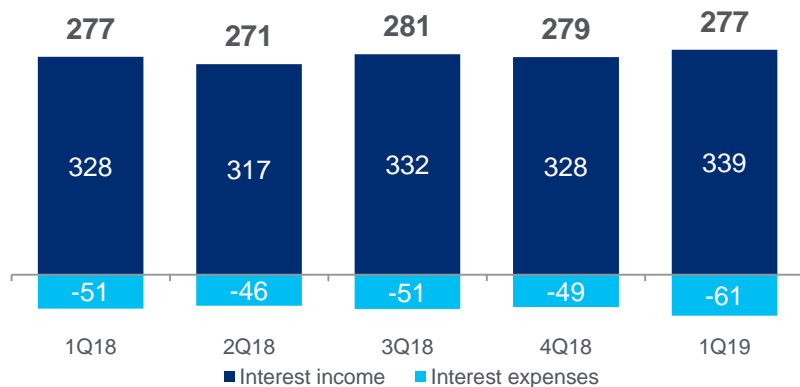
2) ROE = 4 consecutive quarters net income sum / 4 consecutive quarters equity volume;

3) ROTE = 4 consecutive quarters net income sum / 4 consecutive quarters equity volume decreased by net profit and goodwill;

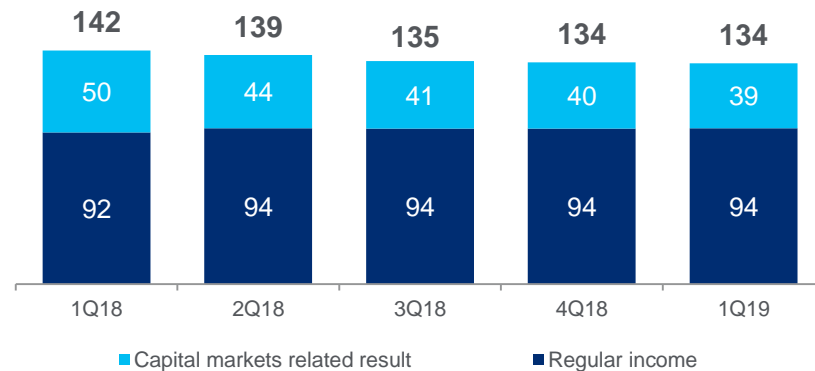


# Net interest income and net fee & commission income

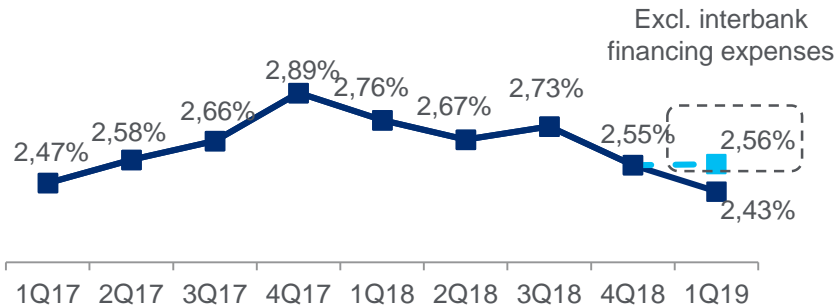
Net interest income (PLN MM)



Net fee & commission income (PLN MM)



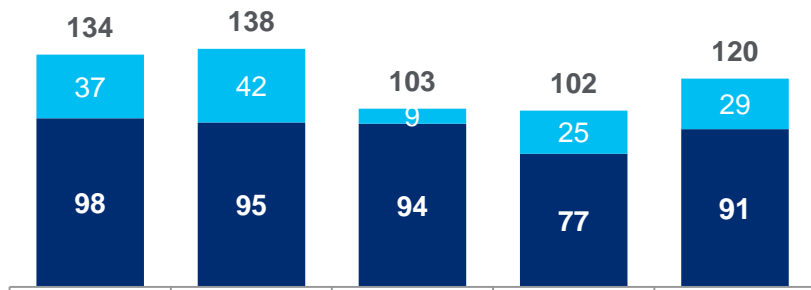
Net interest margin



- Brokerage and investment product sale under pressure of retail clients' negative sentiment towards Polish capital market.

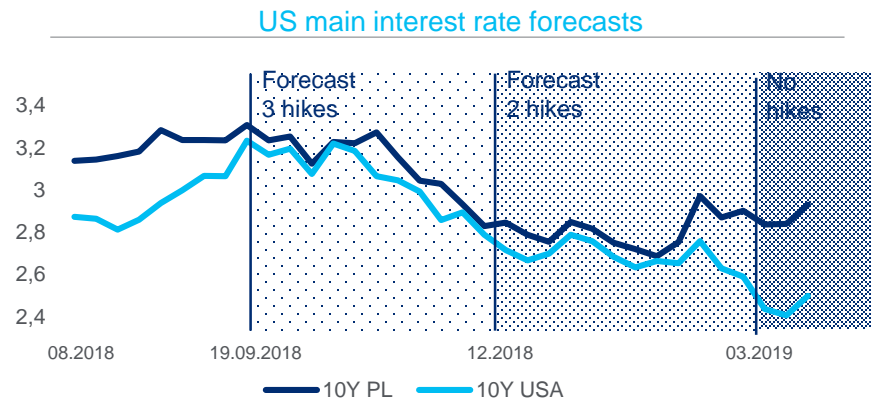
# Treasury result

## Treasury result (PLN MM)



- Net gain on investment debt financial asset
- Net income on financial instruments and revaluation

## 10Y PL and USD securities yield



## FX turnover



**+64%**  
YoY

Corporates

**+8%**  
YoY

Global Clients

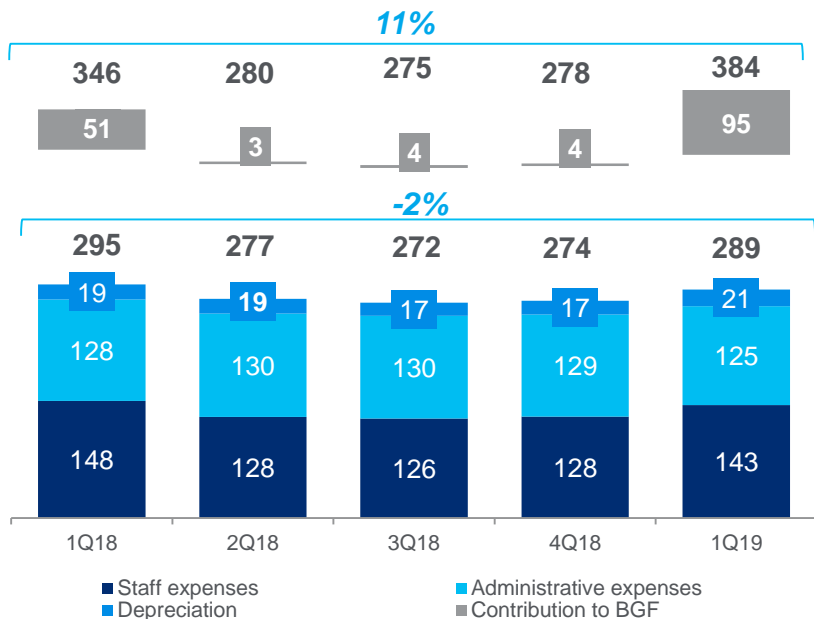
**-8%**  
YoY

MME & SME

# Operating expenses

(PLN MM)

## Operating expenses



## Expenses dynamics

Investment in technology



Office space optimization



Automation and digitization of processes



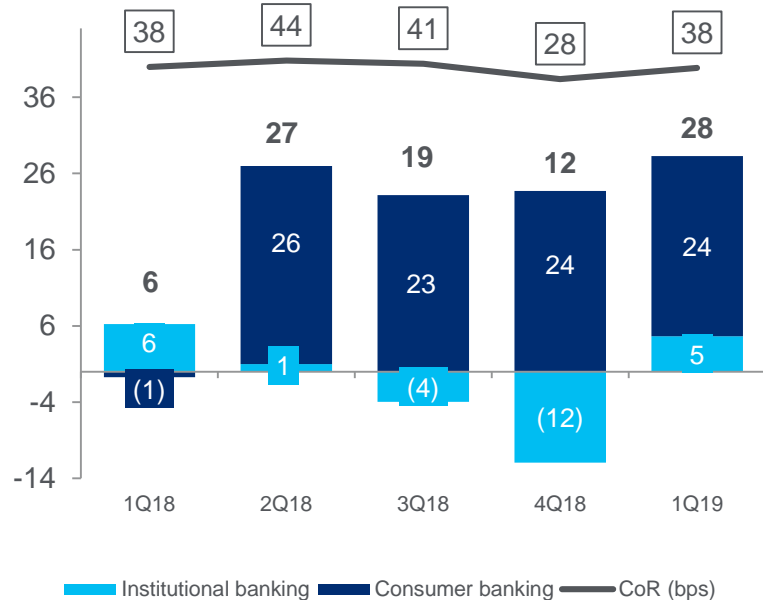
## Commentary

- Annual charge for Resolution Fund amounted to PLN 93.1 MM (PLN 47.8 MM in 1Q18) – accounted in total in first quarter expenses;
- Quarterly charge for Deposit Guarantee Fund amounted to PLN 2.3 MM (in 2018 it was PLN 3.5 MM quarterly on average).

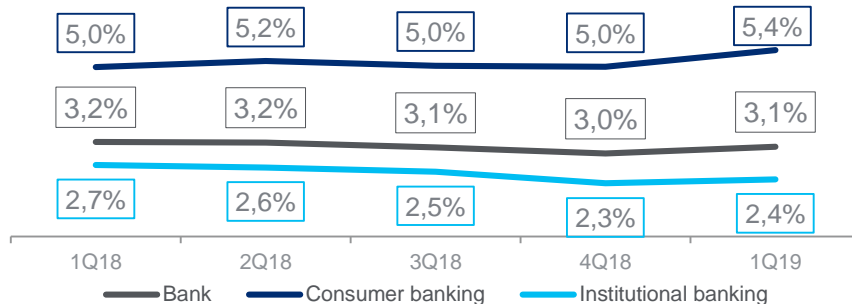
# Cost of risk

Stable costs with simultaneous sustainable increase of loan portfolio

Cost of risk (PLN MM)

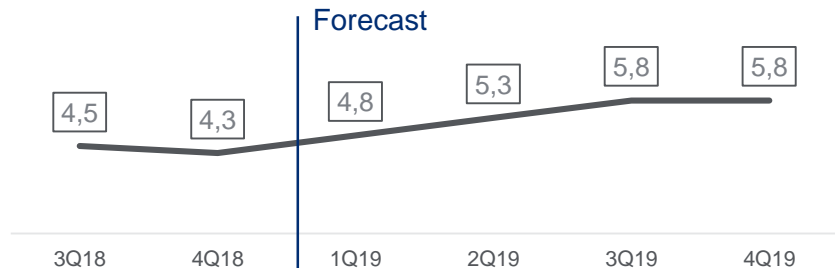


NPL (%)



Private consumption (%)

Continuation of optimism among retail charts



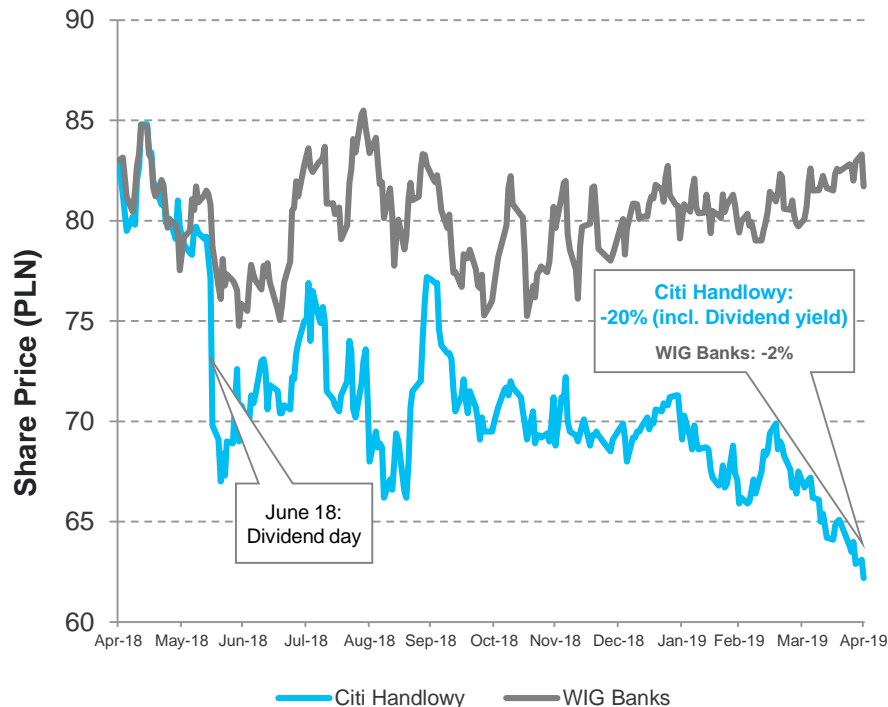
The logo for Citi Handlowy features the word "citi" in a lowercase, sans-serif font with a red arc above the "i". This is followed by the word "handlowy" in a larger, lowercase, sans-serif font, ending with a registered trademark symbol (®).

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# Appendix

# Change in Bank's share price

## Citi Handlowy share price vs. WIG Banks index relative performance



Note: Last quotation April 30, 2019 (Citi Handlowy: PLN 62.20)

## Rewards



### „Złoty Bankier” for Citi Simplicity credit card

- ✓ Best card on the market
- ✓ For 4 years unbeatable in its category

### Private banking in Citi Handlowy

- ✓ For the 4 consecutive time awarded with highest, 5-star note in private banking Euromoney magazine ranking



We provide Clients with best in class solutions

**citi handlowy**<sup>®</sup>

# Financial results summary

	1Q19	4Q18	△ QoQ	1Q18	△ YoY
Net interest income	277	279	(1%)	277	0%
Net fee and commission income	134	134	(0%)	142	(5%)
Treasury	120	102	18%	134	(10%)
Other	5	-3	(287%)	14	(63%)
<b>Total Revenues</b>	<b>537</b>	<b>513</b>	<b>5%</b>	<b>567</b>	<b>(5%)</b>
<b>Expenses</b>	<b>384</b>	<b>278</b>	<b>38%</b>	<b>346</b>	<b>11%</b>
<b>Operating Margin</b>	<b>153</b>	<b>235</b>	<b>(35%)</b>	<b>221</b>	<b>(31%)</b>
<b>Net impairment losses</b>	<b>28</b>	<b>12</b>	<b>140%</b>	<b>6</b>	<b>411%</b>
<b>Profit before tax</b>	<b>103</b>	<b>197</b>	<b>(48%)</b>	<b>197</b>	<b>(48%)</b>
Corporate income tax	43	45	(3%)	51	(14%)
Bank levy	22	26	(16%)	19	15%
<i>Effective tax rate</i>	42%	23%	19.5 pp.	26%	16.4 pp.
<b>Net profit</b>	<b>59</b>	<b>152</b>	<b>(61%)</b>	<b>146</b>	<b>(59%)</b>
<i>Return on Equity <sup>1)</sup></i>	8.3%	10.0%	(1.7 pp.)	10.0%	(1.7 pp.)
<b>Total comprehensive income</b>	<b>8</b>	<b>213</b>	<b>(96%)</b>	<b>233</b>	<b>(97%)</b>
<b>Assets</b>	<b>49,544</b>	<b>49,305</b>	<b>0.5%</b>	<b>44,483</b>	<b>11%</b>
<b>Net loans</b>	<b>22,512</b>	<b>21,949</b>	<b>3%</b>	<b>20,185</b>	<b>12%</b>
<b>Deposits</b>	<b>35,607</b>	<b>38,334</b>	<b>(7%)</b>	<b>31,324</b>	<b>14%</b>
<i>Loans / Deposits</i>	63%	57%		64%	
<i>TCR</i>	16.2%	16.8%		17.3%	



# Profit and loss account - Total Bank

PLN MM	1Q18	2Q18	3Q18	4Q18	1Q19	1Q19 vs. 4Q18		1Q19 vs. 1Q18	
						PLN MM	%	PLN MM	%
<b>Net interest income</b>	277	271	281	279	277	(2)	(1%)	0	0%
<b>Net fee and commission income</b>	142	139	135	134	134	(1)	(0%)	(8)	(5%)
Dividend income	0	9	0	0	0	(0)	(22%)	0	31%
Net gain on trading financial instruments and revaluation	98	95	94	77	91	14	18%	(6)	(7%)
Net gain on debt investment financial assets measured at fair value through other comprehensive income	37	42	9	25	29	4	18%	(7)	(20%)
Hedge accounting	4	-	-	-	(0)	(0)	-	(4)	-
<b>Treasury</b>	<b>138</b>	<b>138</b>	<b>103</b>	<b>102</b>	<b>120</b>	<b>18</b>	<b>18%</b>	<b>(18)</b>	<b>(13%)</b>
Net gain on other equity instruments	0	6	3	(4)	6	10	-	5	1144%
Net other operating income	10	(1)	(4)	1	(0)	(1)	-	(10)	-
<b>Revenue</b>	<b>567</b>	<b>561</b>	<b>519</b>	<b>513</b>	<b>537</b>	<b>25</b>	<b>5%</b>	<b>(30)</b>	<b>(5%)</b>
Expenses	(327)	(262)	(259)	(261)	(363)	(102)	39%	(36)	11%
Depreciation	(19)	(19)	(17)	(17)	(21)	(4)	22%	(2)	12%
<b>Expenses and depreciation</b>	<b>(346)</b>	<b>(280)</b>	<b>(275)</b>	<b>(278)</b>	<b>(384)</b>	<b>(106)</b>	<b>38%</b>	<b>(38)</b>	<b>11%</b>
<b>Operating margin</b>	<b>221</b>	<b>281</b>	<b>244</b>	<b>235</b>	<b>153</b>	<b>(82)</b>	<b>(35%)</b>	<b>(68)</b>	<b>(31%)</b>
Profit/(loss) on sale of tangible fixed assets	0	-1	0	0	0	(0)	(96%)	0	-
<b>Net impairment losses</b>	<b>(6)</b>	<b>(27)</b>	<b>(19)</b>	<b>(12)</b>	<b>(28)</b>	<b>(17)</b>	<b>140%</b>	<b>(23)</b>	<b>411%</b>
Share in profits / (losses) of entities valued at the equity method	0	0	(0)	(0)	-	0	(100%)	(0)	(100%)
Tax on certain financial institutions	(19)	(23)	(19)	(26)	(22)	4	(16%)	(3)	15%
<b>EBIT</b>	<b>197</b>	<b>230</b>	<b>205</b>	<b>197</b>	<b>103</b>	<b>(94)</b>	<b>(48%)</b>	<b>(94)</b>	<b>(48%)</b>
Corporate income tax	(51)	(48)	(46)	(45)	(43)	1	(3%)	7	(14%)
<b>Net profit</b>	<b>146</b>	<b>182</b>	<b>158</b>	<b>152</b>	<b>59</b>	<b>(93)</b>	<b>(61%)</b>	<b>(86)</b>	<b>(59%)</b>
<b>C/I ratio</b>	<b>61%</b>	<b>50%</b>	<b>53%</b>	<b>54%</b>	<b>71%</b>				

# Institutional Banking - profit and loss account

PLN MM	1Q18	2Q18	3Q18	4Q18	1Q19	1Q19 vs. 4Q18		1Q19 vs. 1Q18	
						PLN MM	%	PLN MM	%
<b>Net interest income</b>	129	123	128	119	119	(0)	(0%)	(10)	(8%)
<b>Net fee and commission income</b>	73	72	69	70	73	3	5%	(0)	(1%)
Dividend income	0	1	0	0	0	(0)	(49%)	0	29%
Net gain on trading financial instruments and revaluation	91	88	87	70	85	15	21%	(6)	(7%)
Net gain on debt investment financial assets measured at fair value through other comprehensive income	37	42	9	25	29	4	18%	(7)	(20%)
Hedge accounting	4	-	-	-	(0)	(0)	-	(4)	-
<b>Treasury</b>	<b>131</b>	<b>130</b>	<b>96</b>	<b>95</b>	<b>114</b>	<b>19</b>	<b>20%</b>	<b>(18)</b>	<b>(13%)</b>
Net gain on other equity instruments	0	6	3	(4)	6	10	-	5	1144%
Net other operating income	4	1	0	4	3	(1)	(16%)	(0)	(13%)
<b>Revenue</b>	<b>337</b>	<b>334</b>	<b>297</b>	<b>284</b>	<b>314</b>	<b>31</b>	<b>11%</b>	<b>(23)</b>	<b>(7%)</b>
Expenses	(163)	(108)	(107)	(113)	(202)	(89)	79%	(40)	24%
Depreciation	(5)	(4)	(4)	(5)	(5)	(0)	6%	(0)	5%
<b>Expenses and depreciation</b>	<b>(168)</b>	<b>(113)</b>	<b>(111)</b>	<b>(118)</b>	<b>(207)</b>	<b>(89)</b>	<b>76%</b>	<b>(40)</b>	<b>24%</b>
<b>Operating margin</b>	<b>170</b>	<b>221</b>	<b>186</b>	<b>166</b>	<b>107</b>	<b>(59)</b>	<b>(35%)</b>	<b>(63)</b>	<b>(37%)</b>
Profit/(loss) on sale of tangible fixed assets	0	-1	0	0	0	(0)	(86%)	0	-
<b>Net impairment losses</b>	<b>(6)</b>	<b>(1)</b>	<b>4</b>	<b>12</b>	<b>(5)</b>	<b>(17)</b>	<b>-</b>	<b>2</b>	<b>(25%)</b>
Tax on certain financial institutions	(14)	(17)	(14)	(19)	(16)	3	(17%)	(2)	16%
Share in profits / (losses) of entities valued at the equity method	0.0	0.2	(0.2)	(0.0)	-	0	(100%)	(0)	(100%)
<b>EBIT</b>	<b>150</b>	<b>203</b>	<b>176</b>	<b>158</b>	<b>86</b>	<b>(72)</b>	<b>(45%)</b>	<b>(63)</b>	<b>(42%)</b>
<b>C/I ratio</b>	<b>50%</b>	<b>34%</b>	<b>37%</b>	<b>42%</b>	<b>66%</b>				

# Retail Banking - profit and loss account

PLN MM	1Q18	2Q18	3Q18	4Q18	1Q19	1Q19 vs. 4Q18		1Q19 vs. 4Q18	
						PLN MM	%	PLN MM	%
<b>Net interest income</b>	148	148	152	160	158	(1)	(1%)	10	7%
<b>Net fee and commission income</b>	68	67	66	65	61	(4)	(6%)	(7)	(11%)
Dividend income	0	8	0	0	0	-	0%	0	32%
Net gain on trading financial instruments and revaluation	7	7	7	7	6	(1)	(11%)	(0)	(5%)
Net other operating income	7	(3)	(4)	(3)	(3)	(0)	8%	(10)	-
<b>Revenue</b>	<b>230</b>	<b>227</b>	<b>222</b>	<b>229</b>	<b>223</b>	<b>(6)</b>	<b>(3%)</b>	<b>(7)</b>	<b>(3%)</b>
Expenses	(165)	(153)	(152)	(147)	(161)	(13)	9%	4	(2%)
Depreciation	(14)	(14)	(12)	(13)	(16)	(3)	27%	(2)	15%
<b>Expenses and depreciation</b>	<b>(179)</b>	<b>(168)</b>	<b>(165)</b>	<b>(160)</b>	<b>(177)</b>	<b>(17)</b>	<b>10%</b>	<b>2</b>	<b>(1%)</b>
<b>Operating margin</b>	<b>52</b>	<b>60</b>	<b>57</b>	<b>69</b>	<b>46</b>	<b>(23)</b>	<b>(33%)</b>	<b>(5)</b>	<b>(10%)</b>
<b>Net impairment losses</b>	<b>1</b>	<b>(26)</b>	<b>(23)</b>	<b>(24)</b>	<b>(24)</b>	<b>0</b>	<b>(0%)</b>	<b>(24)</b>	<b>-</b>
Tax on certain financial institutions	(5)	(6)	(5)	(7)	(6)	1	(13%)	(1)	13%
<b>EBIT</b>	<b>47</b>	<b>28</b>	<b>29</b>	<b>39</b>	<b>17</b>	<b>(22)</b>	<b>(57%)</b>	<b>(30)</b>	<b>(65%)</b>
<b>C/I ratio</b>	<b>78%</b>	<b>74%</b>	<b>74%</b>	<b>70%</b>	<b>79%</b>				

# Balance sheet

PLN B	End of period					1Q19 vs. 4Q18		1Q19 vs. 1Q18	
	1Q18	2Q18	3Q18	4Q18	1Q19	PLN B	%	PLN B	%
<b>Cash and balances with the Central Bank</b>	<b>0.5</b>	<b>0.5</b>	<b>0.7</b>	<b>7.3</b>	<b>0.4</b>	<b>(6.8)</b>	<b>(94%)</b>	<b>(0.0)</b>	<b>(9%)</b>
Amounts due from banks	1.2	1.0	0.9	1.3	0.8	(0.5)	(40%)	(0.4)	(35%)
Financial assets held-for-trading	4.1	3.5	4.2	2.2	6.0	3.8	170%	1.9	47%
<b>Debt financial asstes measured at fair value through other comprehensive income</b>	<b>16.2</b>	<b>15.7</b>	<b>15.5</b>	<b>14.2</b>	<b>17.3</b>	<b>3.1</b>	<b>22%</b>	<b>1.1</b>	<b>7%</b>
<b>Customer loans</b>	<b>20.2</b>	<b>21.0</b>	<b>21.6</b>	<b>21.9</b>	<b>22.5</b>	<b>0.6</b>	<b>3%</b>	<b>2.3</b>	<b>12%</b>
<b>Financial sector entities</b>	<b>1.9</b>	<b>2.1</b>	<b>2.4</b>	<b>2.1</b>	<b>2.1</b>	<b>(0.0)</b>	<b>(1%)</b>	<b>0.2</b>	<b>10%</b>
including reverse repo receivables	-	0.1	0.1	0.2	0.2	0.0	6%	0.2	-
<b>Non-financial sector entities</b>	<b>18.2</b>	<b>18.9</b>	<b>19.2</b>	<b>19.8</b>	<b>20.4</b>	<b>0.6</b>	<b>3%</b>	<b>2.1</b>	<b>12%</b>
<b>Institutional Banking</b>	<b>11.5</b>	<b>11.9</b>	<b>12.2</b>	<b>12.6</b>	<b>13.3</b>	<b>0.7</b>	<b>5%</b>	<b>1.8</b>	<b>16%</b>
<b>Consumer Banking</b>	<b>6.8</b>	<b>6.9</b>	<b>7.1</b>	<b>7.2</b>	<b>7.1</b>	<b>(0.1)</b>	<b>(1%)</b>	<b>0.3</b>	<b>5%</b>
Unsecured receivables	5.3	5.4	5.5	5.5	5.4	(0.1)	(2%)	0.1	2%
Credit cards	2.5	2.7	2.7	2.7	2.6	(0.1)	(4%)	0.1	4%
Cash loans	2.7	2.7	2.7	2.7	2.7	(0.0)	(0%)	0.0	1%
Other unsecured receivables	0.1	0.1	0.1	0.1	0.1	(0.0)	(19%)	(0.0)	(25%)
Mortgage	1.5	1.5	1.6	1.6	1.7	0.0	2%	0.2	13%
Other assets	2.3	2.4	2.3	2.3	2.5	0.2	8%	0.1	6%
<b>Total assets</b>	<b>44.5</b>	<b>44.1</b>	<b>45.2</b>	<b>49.3</b>	<b>49.5</b>	<b>0.2</b>	<b>0%</b>	<b>5.1</b>	<b>11%</b>
Liabilities due to banks	3.2	2.1	2.4	1.4	3.8	2.4	171%	0.6	18%
Financial liabilities held-for-trading	1.7	1.6	1.3	1.6	1.5	(0.1)	(5%)	(0.1)	(8%)
<b>Financial liabilities due to customers</b>	<b>31.3</b>	<b>32.5</b>	<b>33.4</b>	<b>38.3</b>	<b>35.6</b>	<b>(2.7)</b>	<b>(7%)</b>	<b>4.3</b>	<b>14%</b>
<b>Financial sector entities - deposits</b>	<b>5.9</b>	<b>6.4</b>	<b>5.7</b>	<b>7.0</b>	<b>6.5</b>	<b>(0.6)</b>	<b>(8%)</b>	<b>0.5</b>	<b>9%</b>
<b>Non-financial sector entities - deposits</b>	<b>25.2</b>	<b>25.8</b>	<b>27.4</b>	<b>31.1</b>	<b>28.9</b>	<b>(2.2)</b>	<b>(7%)</b>	<b>3.7</b>	<b>15%</b>
<b>Institutional Banking</b>	<b>14.5</b>	<b>14.8</b>	<b>16.1</b>	<b>19.2</b>	<b>16.7</b>	<b>(2.5)</b>	<b>(13%)</b>	<b>2.1</b>	<b>15%</b>
<b>Consumer Banking</b>	<b>10.7</b>	<b>11.0</b>	<b>11.3</b>	<b>11.9</b>	<b>12.2</b>	<b>0.3</b>	<b>3%</b>	<b>1.6</b>	<b>15%</b>
Other financial liabilities	0.2	0.2	0.2	0.3	0.3	0.0	4%	0.1	85%
Other liabilities	1.2	1.2	1.3	0.9	1.5	0.6	71%	0.4	32%
<b>Total liabilities</b>	<b>37.4</b>	<b>37.4</b>	<b>38.3</b>	<b>42.2</b>	<b>42.5</b>	<b>0.2</b>	<b>1%</b>	<b>5.1</b>	<b>14%</b>
<b>Equity</b>	<b>7.1</b>	<b>6.7</b>	<b>6.8</b>	<b>7.1</b>	<b>7.1</b>	<b>0.0</b>	<b>0%</b>	<b>(0.0)</b>	<b>(0%)</b>
<b>Total liabilities &amp; equity</b>	<b>44.5</b>	<b>44.1</b>	<b>45.2</b>	<b>49.3</b>	<b>49.5</b>	<b>0.2</b>	<b>0%</b>	<b>5.1</b>	<b>11%</b>
Loans / Deposits ratio	64%	65%	65%	57%	63%				
<b>Total Capital Ratio</b>	<b>17.3%</b>	<b>17.1%</b>	<b>16.9%</b>	<b>16.8%</b>	<b>16.2%</b>				
<b>NPL*</b>	<b>3.2%</b>	<b>3.2%</b>	<b>3.1%</b>	<b>3.0%</b>	<b>3.1%</b>				

\*as reported, incl. reverse repo