

# Bank Handlowy w Warszawie S.A.

Consolidated financial results  
for 1Q'22

May 9th, 2022

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

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# 1Q'22 | Summary



## Financial results

- **Net profit:** PLN 282 MM (+80% QoQ) – net profit increase for the third consecutive quarter, driven by strong client activity (loan growth by 8% QoQ) and the volatility of financial markets
- **Revenue:** PLN 836 MM (+56 QoQ) thanks to the strong momentum in net interest income (+75% QoQ) and treasury income (+82% QoQ) in FX and trading
- **Operating costs:** PLN 414 MM, +46% QoQ, due to higher regulatory costs – booking of the resolution fund contribution at the record level of PLN 105 MM
- **Costs of risk:** the level of 19 bps reflecting the healthy standing of Bank customers



## Institutional Banking

- **Revenue:** increase by 62% QoQ, driven by net interest income growth in treasury segment as well as client activity
- **Loans:** strong increase by 14% QoQ in all business segments, aligned with the Bank's strategy
- **Supporting of customers** at the time of high volatility of currency and interest rates, the continuation of record high FX volume
- **The next quarter with ESG transaction:** PLN 200 MM financing of the recycling industry leader

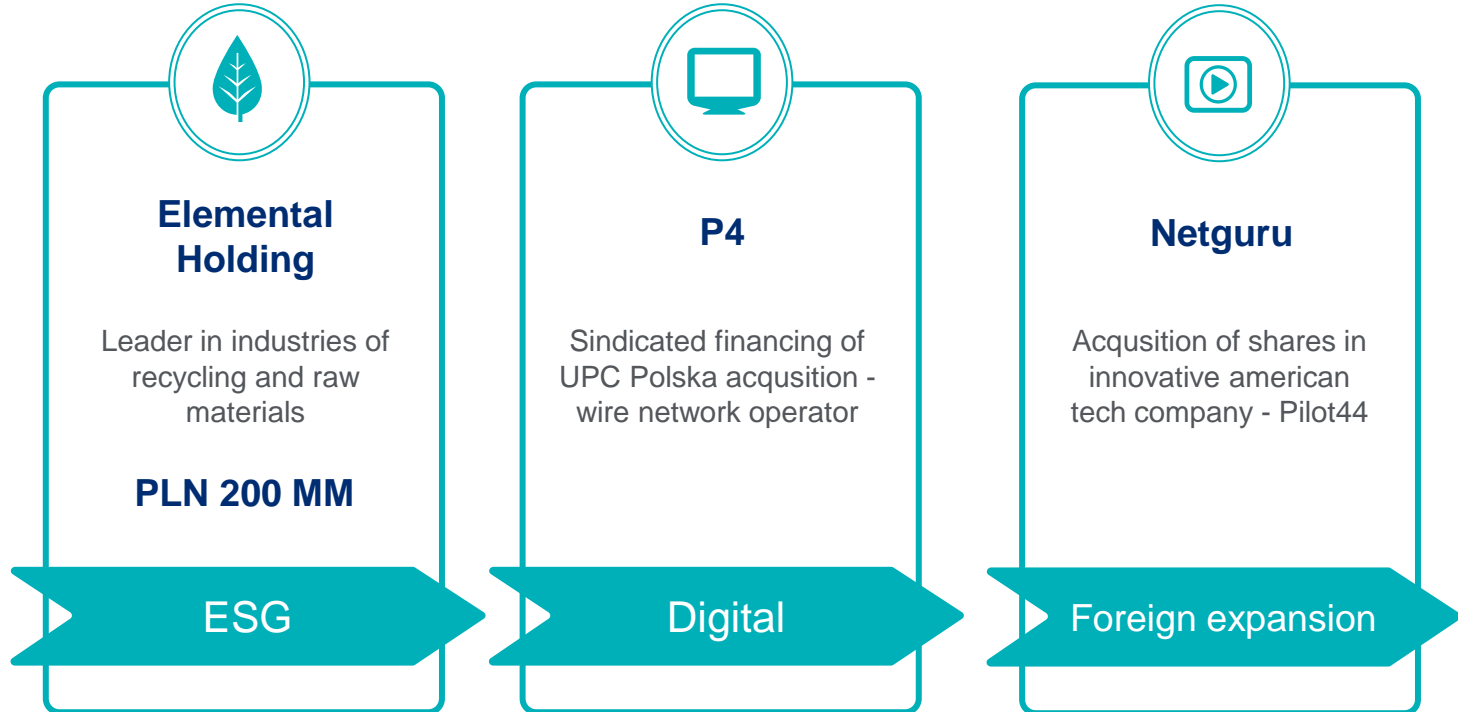


## Consumer Banking

- **Revenue:** increase by 42% QoQ driven by higher net interest income and FX revenue
- **Deposits:** balance growth by 3% QoQ due to the higher volume of term deposits. Strong sales of CitiKonto Personal Online Account and increased usage of FX exchange platform – Citi Kantor
- **Record FX turnover:** FX volumes in March were more than twice the monthly average
- **Private Banking of Citi Handlowy** was awarded in the Euromoney survey thanks to high quality of services, global presence and succession planning

Business activity

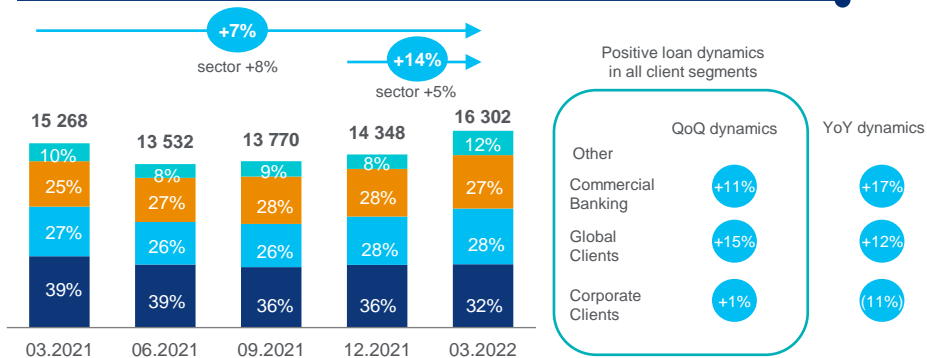
# Institutional Banking | Another quarter of high transactions volume



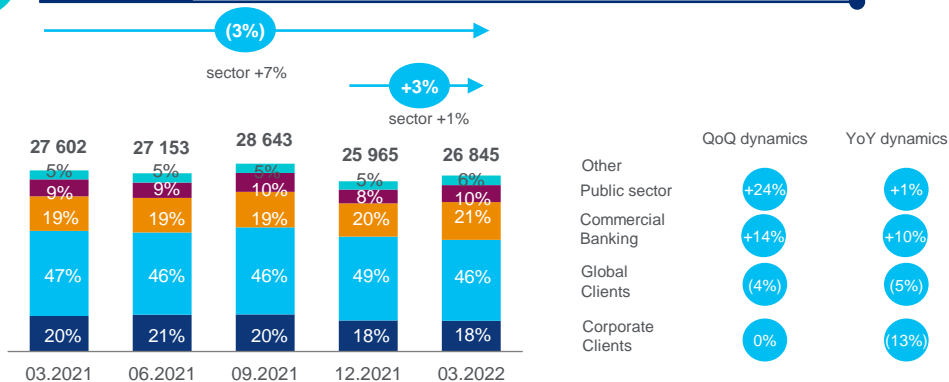
# Institutional Banking | Business volumes



## Loan volumes (PLN MM)

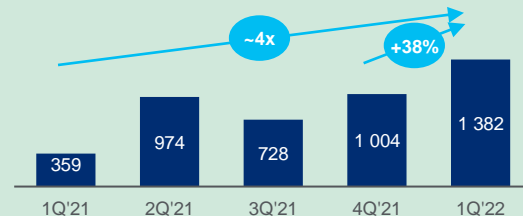


## Deposit volumes (PLN MM)

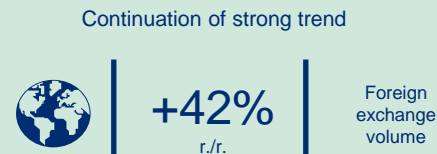


## 1Q'22 transaction volumes

### 1. New loans to institutional clients (PLN MM)\*



### 2. FX volume



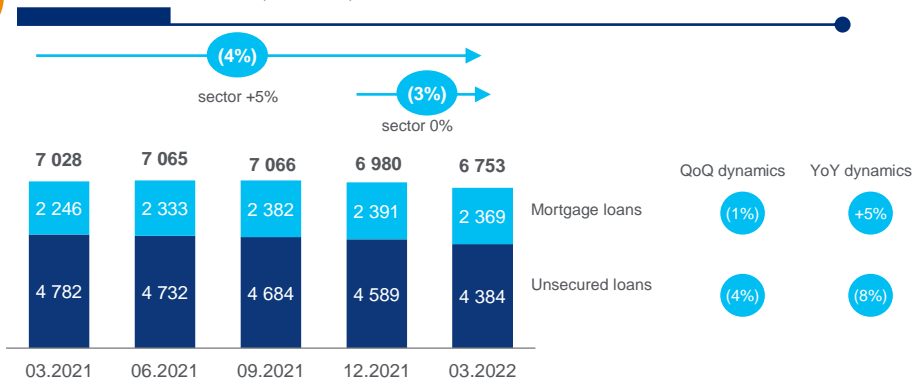
### 3. Transaction Banking



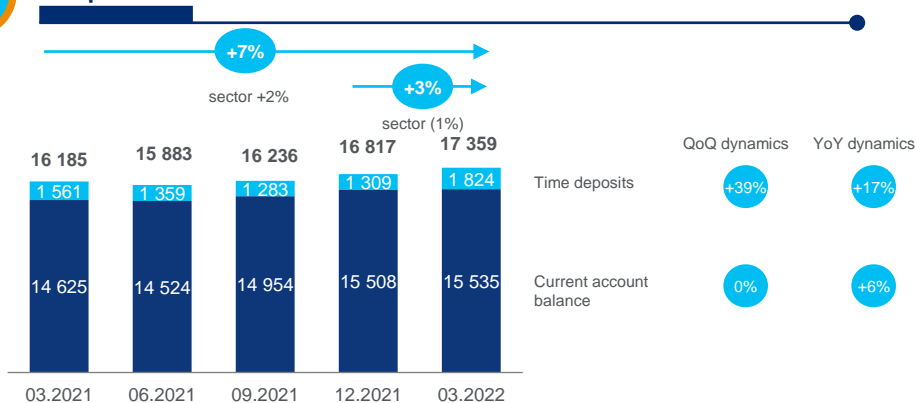
# Consumer Banking | Business volumes



## Loan volumes (PLN MM)



## Deposit volumes (PLN MM)



## 1Q'22 transaction volumes

Quarter of record high FX volumes and number of CitiKantor active users

1.

### FX volumes



**+123%** YoY

FX turnover volume

**57%**

of FX transactions are processed via CitiKantor



**+139%** YoY

Number of FX transactions processed via CitiKantor



Record high number of clients in March

2.

### Wealth Management

**-11%** YoY

Average asset level of investment products

Increase of geopolitical risk



**+9%** YoY

Number of Citi Private Clients

Social commitment

# Ukraine: customer support and refugees assistance

- Cancellation the fees for individual and corporate transfers to Ukraine
- Special WWW site with important information for clients opened
- Implementation of fast-track account opening for refugees from Ukraine
- Cash disbursement ability for corporate clients to support their Staff (mainly refugees)
- Opening of banking accounts for 8 NGOs incl. international humanitarian organizations



● Ca. 800 Citi volunteers in Poland engaged in supporting refugees

● Arrangement of fundraisers for the evacuation and aid to Ukrainian children with cancer

● Assistance in provision of safe shelter in Poland for children from orphanage or Foster families

● Arrangement of a number of supply collections

● Material support for organizations involved on cross-border points

● Over 60 volunteering projects

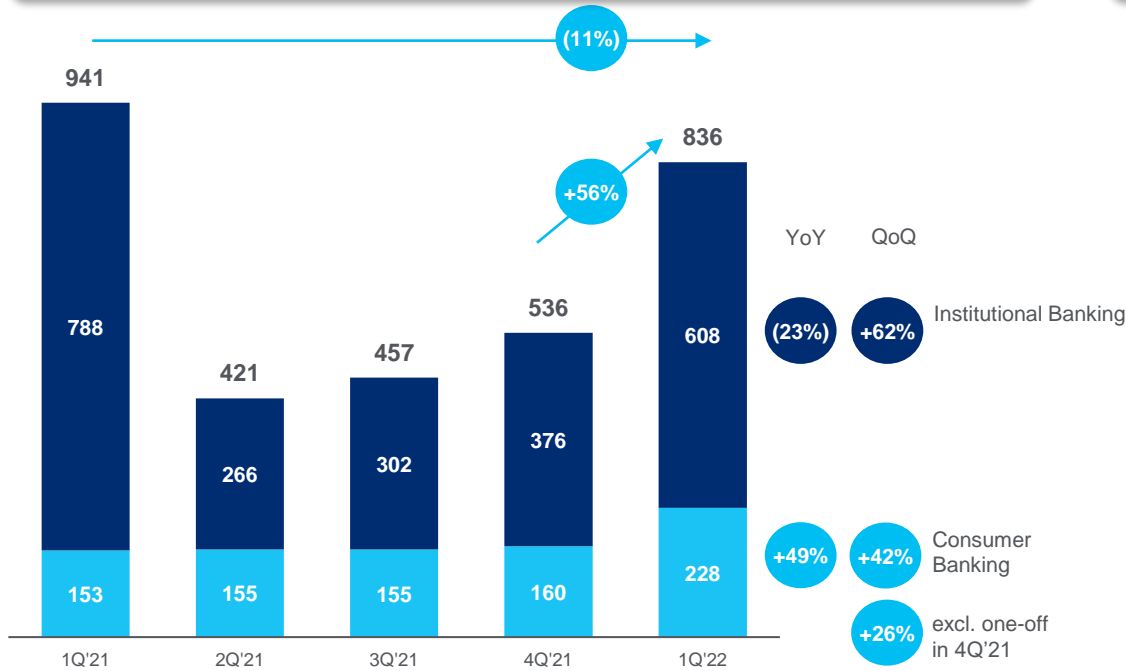


# Consolidated financial results

# Total revenue

## Revenue – segment split (PLN MM)

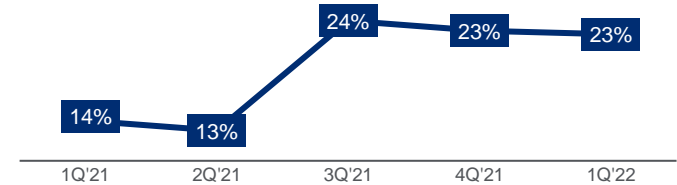
Revenue growth as a result of rising interest rates and financial markets volatility



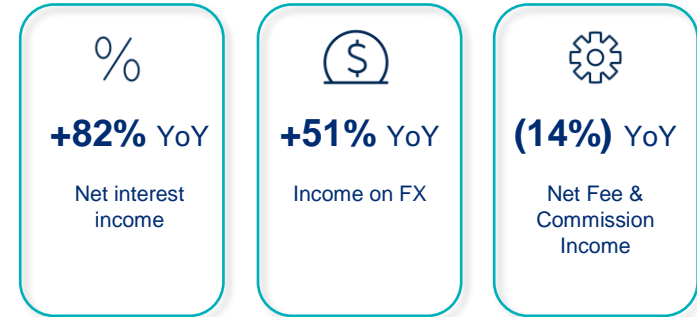
## Revenue – Institutional Banking

Maintained double-digit dynamics of client revenue growth

Client revenue – YoY dynamics\*



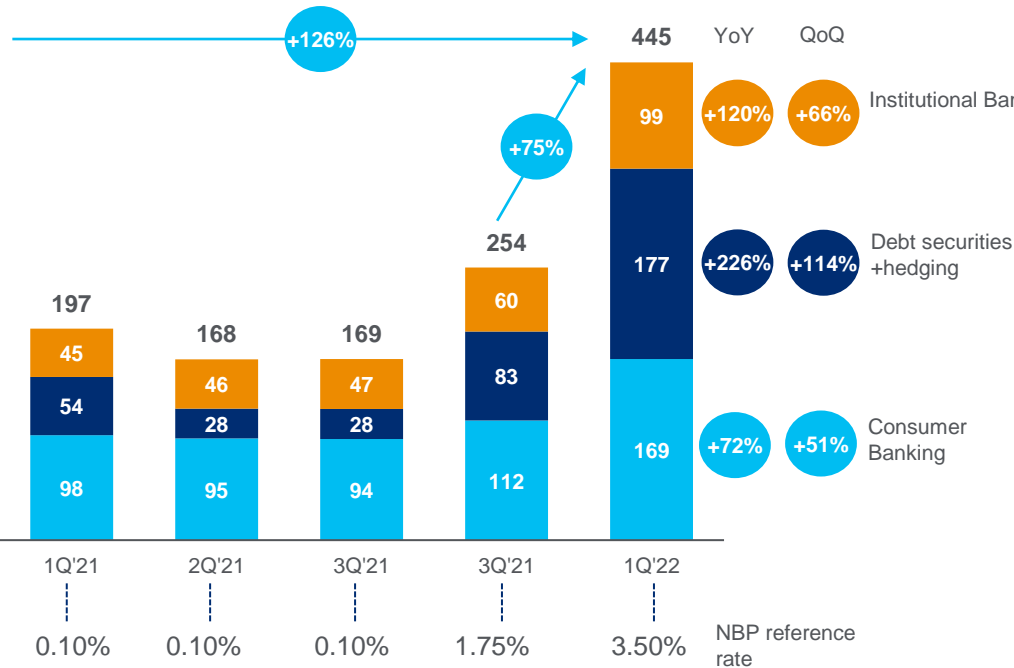
\*) Client revenue: Client Net Interest Income, net fee and commission income, income on FX



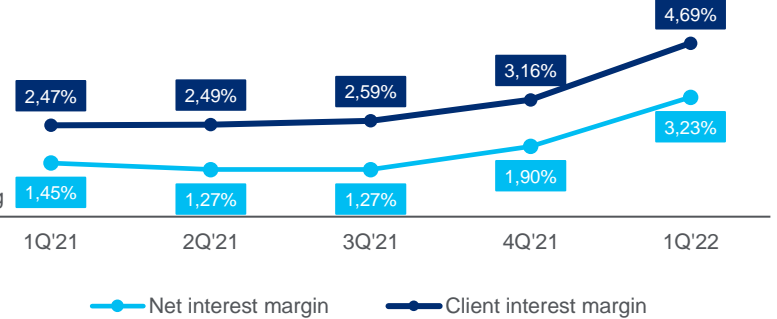
# Net interest income

## Net interest income – segment split (PLN MM)

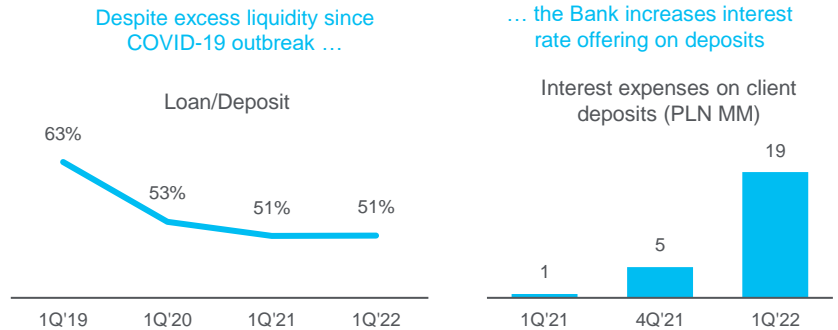
Increase of net interest income driven by NBP interest rate hikes to the highest level for the last 10 years



## Net interest margin



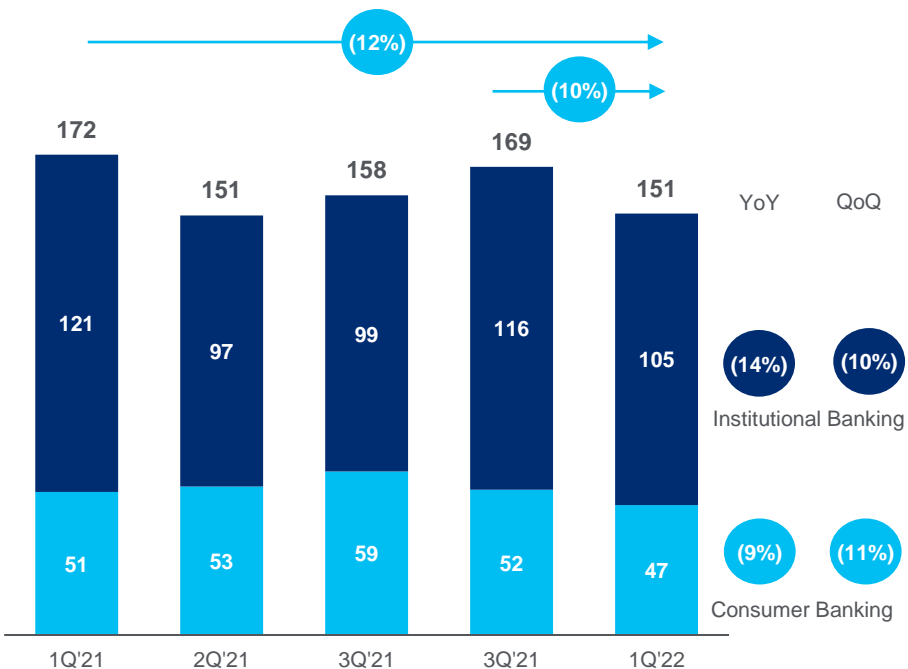
## Cost of financing – client business



# Net fee & commission income

## NF&CI – segment split (PLN MM)

Decrease of net fee and commission income as a result of lack of one-off transactions in the Investment banking area (geopolitical uncertainty)



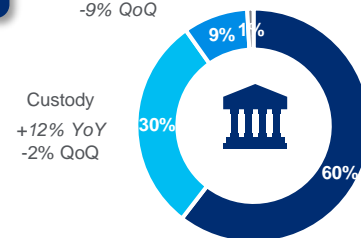
## NF&CI structure and dynamics

Cards: return of individual and corporate clients to pre-pandemic behaviour patterns

### Institutional Banking

Brokerage  
-67% YoY  
-9% QoQ

Other, incl. Loan activity  
9% 1%



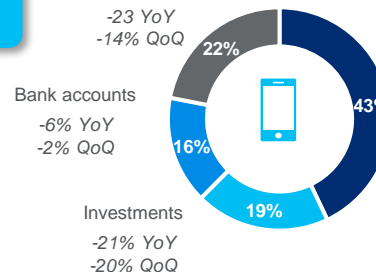
Increase of money transfer volumes and corporate card transaction volumes

Transactional Banking  
+3% YoY  
-4% QoQ

### Consumer Banking

Other  
-23 YoY  
-14% QoQ

Bank accounts  
-6% YoY  
-2% QoQ



Increase of FX transaction volumes

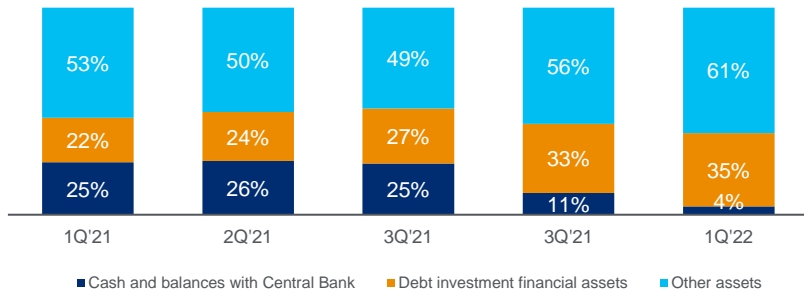
Cards  
+7% YoY  
-7% QoQ

# Treasury

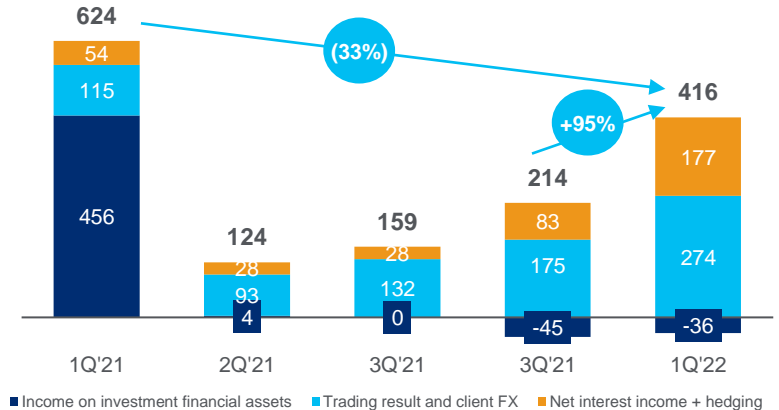
Confirmation of expert knowledge during high volatility on interest rate and FX markets

## Balance sheet structure (%)

Further investment in short-term treasury bills, decrease of cash and balances with Central Bank line

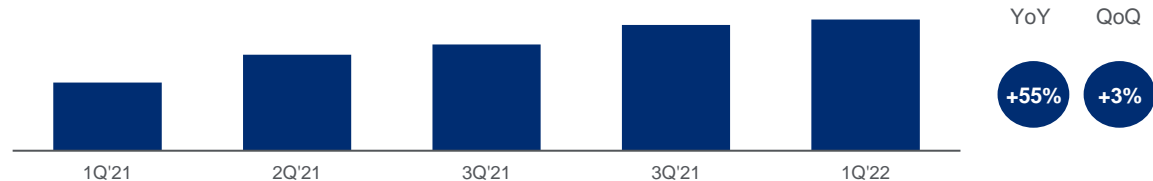


## Trading result (PLN MM)



## Income on FX – client activity

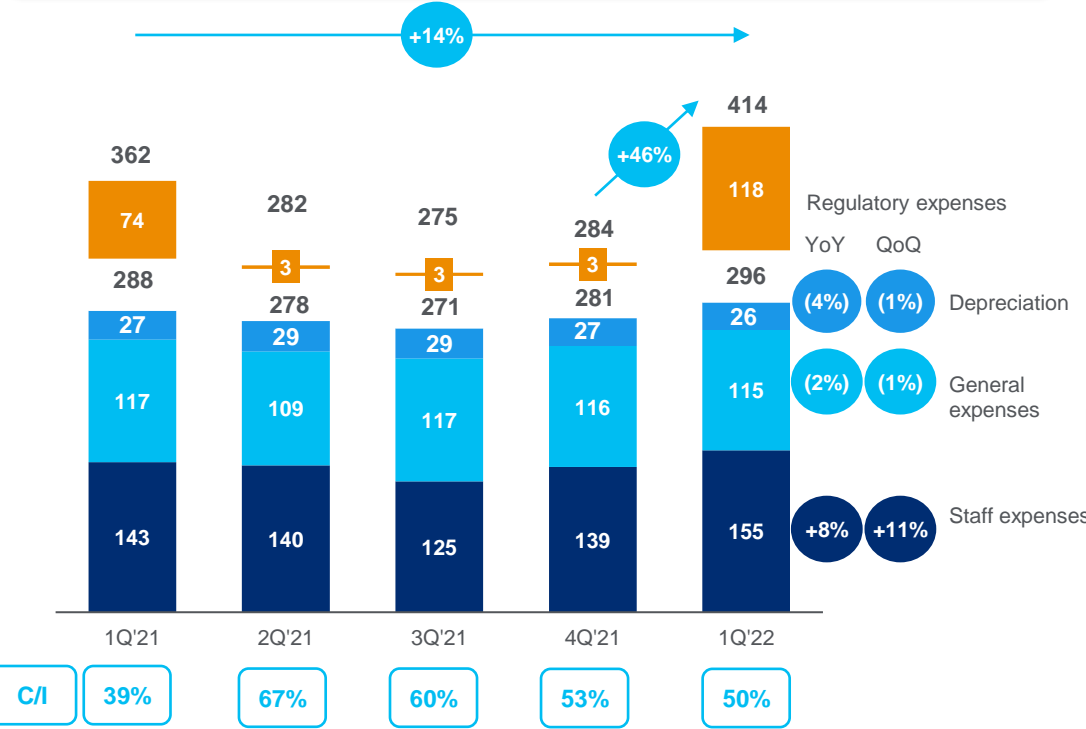
Further growth of client revenue



# Expenses

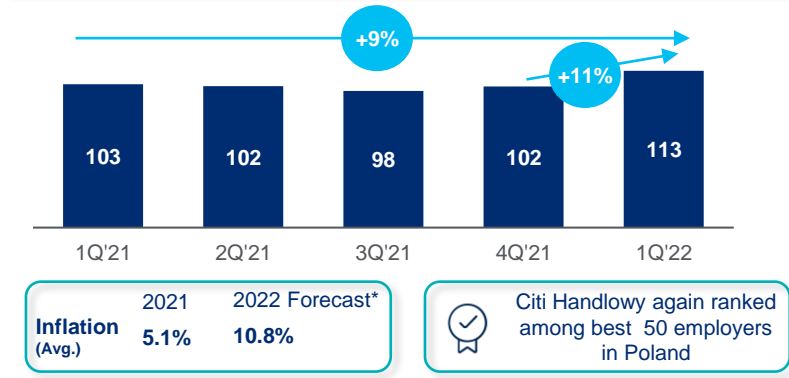
## Operating expenses (PLN MM)

Expenses growth driven mainly by higher regulatory expenses

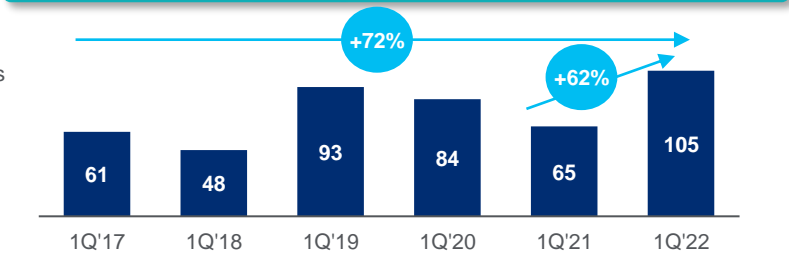


## Remuneration and regulatory costs (PLN MM)

Further growth of staff expenses addressing growing inflation



Record high charge to BGF (Resolution Fund)



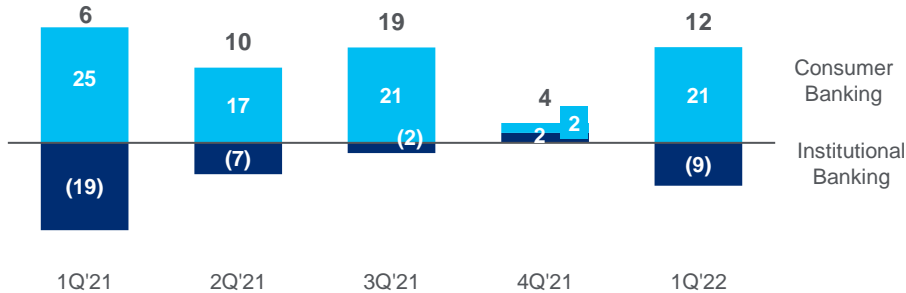
\* According to Citi Handlowy analysts forecast

# Cost of Risk

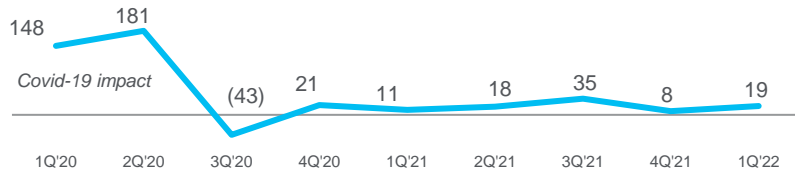
## Cost of Risk

Improvement of institutional client rating,  
increase of amount due from clients in stage 1

(PLN MM)



(data in basis points)

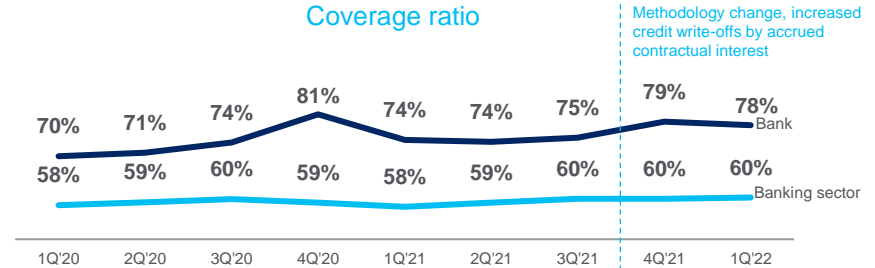


Positive number means net impairment creation (negative impact on P&L)

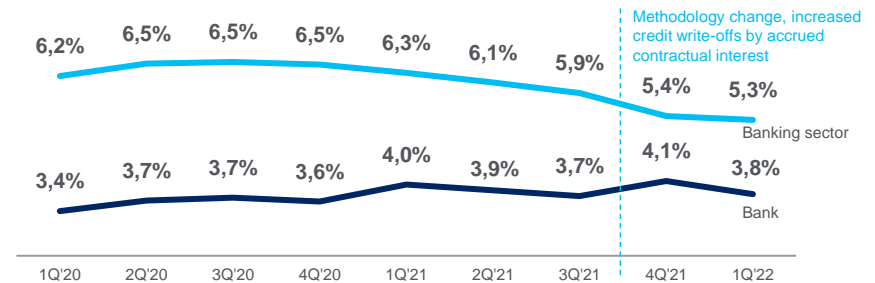
## Coverage ratio and NPL (%)

Stable quality of the Bank loan portfolio in long horizon

### Coverage ratio



### NPL ratio



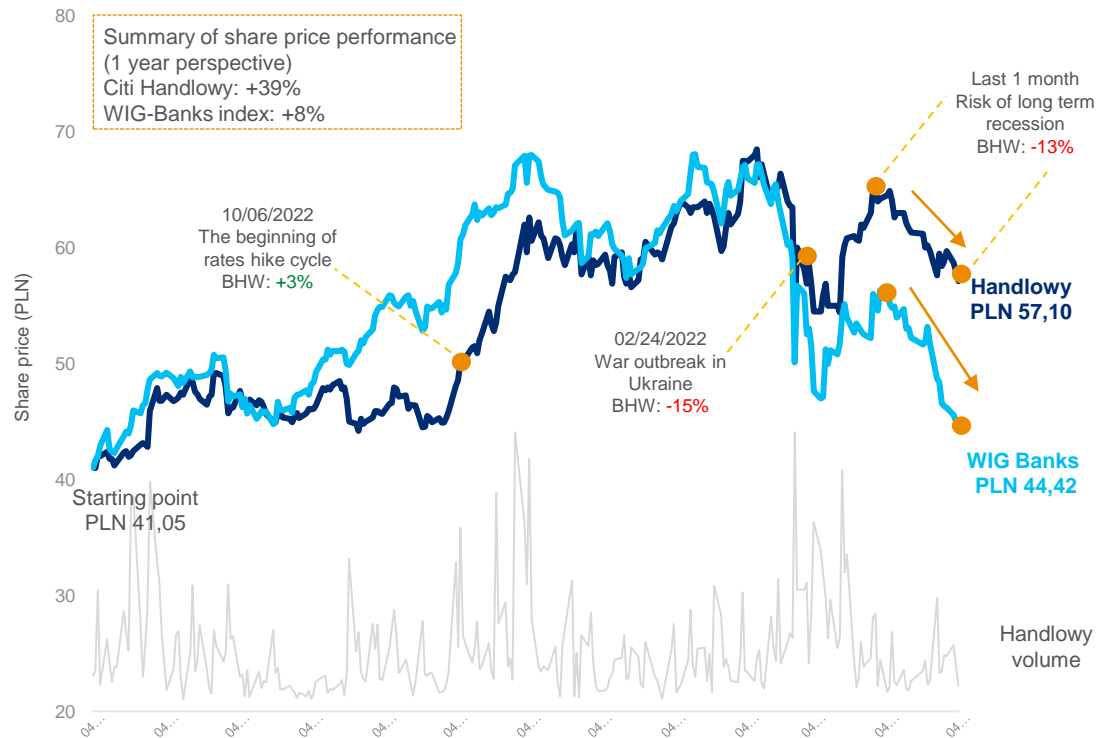
# Summary of the Capital Group financial results

	1Q22	4Q21	ΔQoQ	1Q21	ΔYoY
Net interest income	445	254	75%	197	126%
Net fee and commission income	151	169	(10%)	172	(12%)
<b>Core revenue</b>	<b>596</b>	<b>423</b>	<b>41%</b>	<b>370</b>	<b>61%</b>
Treasury	238	131	82%	570	(58%)
Other revenue	1	(18)	-	1	-
<b>Total revenue</b>	<b>836</b>	<b>536</b>	<b>56%</b>	<b>941</b>	<b>(11%)</b>
<b>Operating expenses</b>	<b>(414)</b>	<b>(284)</b>	<b>46%</b>	<b>(362)</b>	<b>14%</b>
<b>Operating margin</b>	<b>422</b>	<b>251</b>	<b>68%</b>	<b>578</b>	<b>(27%)</b>
<b>Cost of risk</b>	<b>(12)</b>	<b>(4)</b>	<b>165%</b>	<b>(6)</b>	<b>88%</b>
<b>Profit before tax</b>	<b>368</b>	<b>201</b>	<b>83%</b>	<b>536</b>	<b>(31%)</b>
Income tax	(86)	(44)	93%	(141)	(39%)
Bank levy	(46)	(46)	0%	(36)	27%
<b>Net profit</b>	<b>282</b>	<b>156</b>	<b>80%</b>	<b>395</b>	<b>(29%)</b>
ROE	8.7%	10.3%	(1.6 pp.)	7.4%	1.3 pp.
ROA	1.0%	1.2%	(0.2 pp.)	0.9%	0.1 pp.
<b>Revaluation reserve</b>	<b>(598)</b>	<b>(312)</b>	<b>92%</b>	<b>84</b>	<b>-</b>
<b>Assets</b>	<b>69,282</b>	<b>61,863</b>	<b>12%</b>	<b>58,821</b>	<b>18%</b>
<b>Net loans</b>	<b>23,055</b>	<b>21,328</b>	<b>8%</b>	<b>22,296</b>	<b>3%</b>
<b>Deposits</b>	<b>45,502</b>	<b>43,507</b>	<b>5%</b>	<b>44,088</b>	<b>3%</b>
TCR	17.8%	20.1%		21.4%	



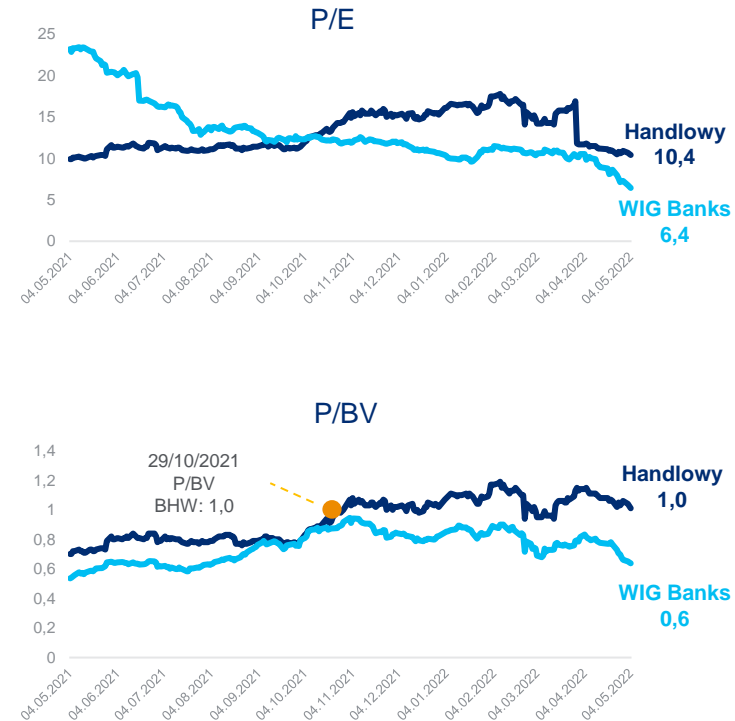
# Citi Handlowy – change in share price

## Change in Bank's share price vs. WIG-Banks index



Note: Last quotation May 4th, 2022 (Citi Handlowy: PLN 57.10)

## BHW vs. WIG-Banks valuation

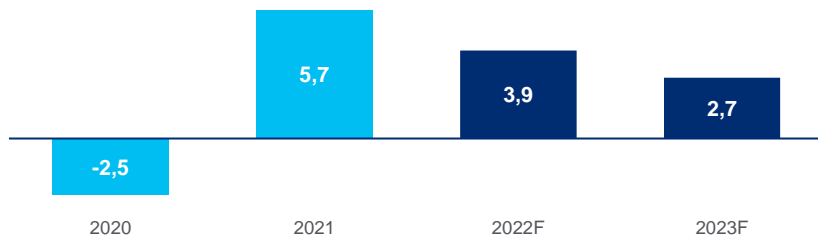


# Appendix

# Forecasts for Polish economy

## GDP of Poland (% YoY)

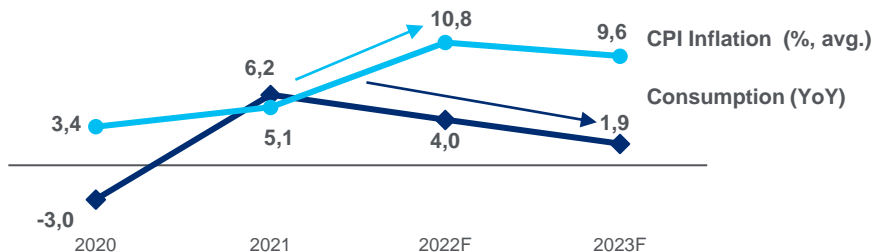
Despite strong beginning of 2022, gradual slowdown is expected in upcoming quarters



According to Citi analysts forecast

## Consumption and inflation CPI (% YoY)

Higher Energy prices will affect consumption negatively

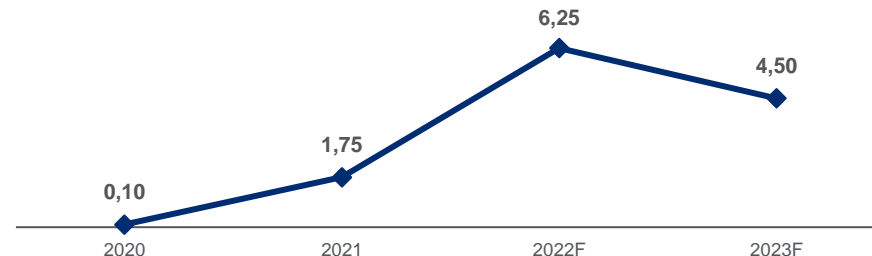


According to Citi analysts forecast

- Available data for 1Q'22 do not indicate slowdown of economic activity. In total 1Q'22 GDP growth may exceed the level of 8.5% YoY.
- Most probably, upcoming quarters will be more challenging, nevertheless average annual growth rate of GDP can cross the level of 4%.
- During the next 2 years inflation will fluctuate near the level of 10% (annually on average), and the return to NBP target will take place after 2024.
- Taking into account high expected inflation level, there is a room for another rate hikes.
- Additional changes in fiscal policy, like eg. tax cuts, or growth of budgetary expenditures may rise targeted level of interest rates.

## NBP reference rate (% end of period)

Further MPC decisions will be driven also by changes in fiscal policy (apart from data about dynamics of economic activity slowdown)



According to Citi analysts forecast

# Capital Group – profit and loss account

PLN MM	1Q21	2Q21	3Q21	4Q21	1Q22	1Q22 vs.4Q21		1Q22 vs.1Q21	
						PLN MM	%	PLN MM	%
<b>Net interest income</b>	197	168	169	254	445	191	75%	248	126%
<b>Net fee and commission income</b>	172	151	158	169	151	(18)	(10%)	(21)	(12%)
Dividend income	0	9	2	0	0	(0)	(65%)	0	460%
Net gain on trading financial instruments and revaluation	115	93	132	175	274	99	56%	160	139%
Net gain on debt investment financial assets measured at fair value through other comprehensive income	456	4	-	(45)	(36)	9	(20%)	(491)	-
Hedge accounting	1	(1)	1	(8)	(2)	6	(78%)	(2)	-
<b>Treasury</b>	<b>571</b>	<b>96</b>	<b>133</b>	<b>123</b>	<b>237</b>	<b>114</b>	<b>92%</b>	<b>(334)</b>	<b>(59%)</b>
Net gain on other equity instruments	1	3	0	49	5	(44)	(91%)	3	247%
Net other operating income	(1)	(6)	(5)	(59)	(2)	57	(97%)	(1)	106%
<b>Revenue</b>	<b>941</b>	<b>421</b>	<b>457</b>	<b>536</b>	<b>836</b>	<b>300</b>	<b>56%</b>	<b>(105)</b>	<b>(11%)</b>
Expenses	(335)	(253)	(246)	(258)	(388)	(130)	50%	(53)	16%
Depreciation	(27)	(29)	(29)	(27)	(26)	0	(1%)	1	(4%)
<b>Expenses and depreciation</b>	<b>(362)</b>	<b>(282)</b>	<b>(275)</b>	<b>(284)</b>	<b>(414)</b>	<b>(130)</b>	<b>46%</b>	<b>(52)</b>	<b>14%</b>
<b>Operating margin</b>	<b>578</b>	<b>139</b>	<b>183</b>	<b>251</b>	<b>422</b>	<b>170</b>	<b>68%</b>	<b>(157)</b>	<b>(27%)</b>
Profit/(loss) on sale of tangible fixed assets	(0.3)	(0.2)	0.0	(0.3)	3.5	3.8	-	3.8	-
<b>Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments</b>	<b>(6)</b>	<b>(10)</b>	<b>(19)</b>	<b>(4)</b>	<b>(12)</b>	<b>(7)</b>	<b>165%</b>	<b>(5)</b>	<b>88%</b>
Tax on certain financial institutions	(36)	(39)	(40)	(46)	(46)	(0)	0%	(10)	27%
<b>EBIT</b>	<b>536</b>	<b>91</b>	<b>124</b>	<b>201</b>	<b>368</b>	<b>167</b>	<b>83%</b>	<b>(168)</b>	<b>(31%)</b>
Corporate income tax	(141)	(18)	(30)	(44)	(86)	(41)	93%	55	(39%)
<b>Net profit</b>	<b>395</b>	<b>73</b>	<b>93</b>	<b>156</b>	<b>282</b>	<b>126</b>	<b>80%</b>	<b>(113)</b>	<b>(29%)</b>
<b>C/I ratio</b>	<b>39%</b>	<b>67%</b>	<b>60%</b>	<b>53%</b>	<b>50%</b>				

# Institutional Banking – profit and loss account

PLN MM	1Q21	2Q21	3Q21	4Q21	1Q22	1Q22 vs.4Q21		1Q22 vs.1Q21	
						PLN MM	%	PLN MM	%
<b>Net interest income</b>	99	74	74	142	276	134	94%	177	178%
<b>Net fee and commission income</b>	121	97	99	116	105	(12)	(10%)	(17)	(14%)
Dividend income	0	1	2	0	0	(0)	(79%)	0	80%
Net gain on trading financial instruments and revaluation	107	85	123	166	260	94	57%	153	142%
Net gain on debt investment financial assets measured at fair value through other comprehensive income	456	4	-	(45)	(36)	9	(20%)	(491)	-
Hedge accounting	1	(1)	1	(8)	(2)	6	(78%)	(2)	-
<b>Treasury</b>	<b>564</b>	<b>88</b>	<b>125</b>	<b>114</b>	<b>223</b>	<b>109</b>	<b>96%</b>	<b>(341)</b>	<b>(60%)</b>
Net gain on other equity instruments	1	3	0	2	1	(2)	(70%)	(1)	(52%)
Net other operating income	3	2	2	1	4	3	323%	1	42%
<b>Revenue</b>	<b>788</b>	<b>266</b>	<b>302</b>	<b>376</b>	<b>608</b>	<b>232</b>	<b>62%</b>	<b>(180)</b>	<b>(23%)</b>
Expenses	(182)	(119)	(119)	(124)	(225)	(101)	81%	(43)	23%
Depreciation	(5)	(6)	(6)	(6)	(6)	(0)	3%	(0)	8%
<b>Expenses and depreciation</b>	<b>(188)</b>	<b>(124)</b>	<b>(124)</b>	<b>(130)</b>	<b>(230)</b>	<b>(101)</b>	<b>78%</b>	<b>(43)</b>	<b>23%</b>
<b>Operating margin</b>	<b>601</b>	<b>142</b>	<b>178</b>	<b>246</b>	<b>378</b>	<b>132</b>	<b>53%</b>	<b>(223)</b>	<b>(37%)</b>
Profit/(loss) on sale of tangible fixed assets	0.0	-0.1	0.1	-0.2	3.5	4	-	4	-
<b>Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments</b>	<b>19</b>	<b>7</b>	<b>2</b>	<b>(2)</b>	<b>9</b>	<b>12</b>	<b>-</b>	<b>(10)</b>	<b>(51%)</b>
Tax on certain financial institutions	(29)	(32)	(34)	(39)	(39)	0	(1%)	(9)	32%
<b>EBIT</b>	<b>590</b>	<b>116</b>	<b>147</b>	<b>205</b>	<b>352</b>	<b>147</b>	<b>72%</b>	<b>(239)</b>	<b>(40%)</b>
<b>C/I ratio</b>	<b>24%</b>	<b>47%</b>	<b>41%</b>	<b>34%</b>	<b>38%</b>				

# Consumer Banking – profit and loss account

PLN MM	1Q21	2Q21	3Q21	4Q21	1Q22	1Q22 vs. 4Q21		1Q22 vs. 1Q21	
						PLN MM	%	PLN MM	%
<b>Net interest income</b>	98	95	94	112	169	57	51%	71	72%
<b>Net fee and commission income</b>	51	53	59	52	47	(6)	(11%)	(5)	(9%)
Dividend income	-	8	-	0.1	0	(0)	(49%)	0	-
Net gain on trading financial instruments and revaluation	7	8	8	9	14	5	50%	7	94%
Net gain on other equity instruments	-	-	-	47	4	(43)	(91%)	4	-
Net other operating income	(4)	(8)	(7)	(60)	(6)	54	(90%)	(2)	58%
<b>Revenue</b>	<b>153</b>	<b>155</b>	<b>155</b>	<b>160</b>	<b>228</b>	<b>68</b>	<b>42%</b>	<b>75</b>	<b>49%</b>
Expenses	(153)	(134)	(127)	(134)	(163)	(29)	22%	(10)	7%
Depreciation	(22)	(23)	(23)	(21)	(21)	0	(2%)	1	(7%)
<b>Expenses and depreciation</b>	<b>(175)</b>	<b>(157)</b>	<b>(150)</b>	<b>(155)</b>	<b>(184)</b>	<b>(29)</b>	<b>19%</b>	<b>(9)</b>	<b>5%</b>
Net impairment allowances on non-financial assets	-	-	-	-	-	-	-	-	-
<b>Operating margin</b>	<b>(22)</b>	<b>(3)</b>	<b>4</b>	<b>5</b>	<b>44</b>	<b>39</b>	<b>735%</b>	<b>66</b>	<b>-</b>
<b>Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments</b>	<b>(25)</b>	<b>(17)</b>	<b>(21)</b>	<b>(2)</b>	<b>(21)</b>	<b>(19)</b>	<b>842%</b>	<b>4</b>	<b>(17%)</b>
Tax on certain financial institutions	(7)	(7)	(7)	(7)	(7)	(0)	3%	(0)	4%
<b>EBIT</b>	<b>(55)</b>	<b>(26)</b>	<b>(23)</b>	<b>(4)</b>	<b>16</b>	<b>20</b>	<b>-</b>	<b>70</b>	<b>-</b>
<b>C/I ratio</b>	<b>114%</b>	<b>102%</b>	<b>97%</b>	<b>97%</b>	<b>81%</b>				

# Balance sheet - assets

PLN B	End of period					1Q22 vs. 4Q21	
	1Q21	2Q21	3Q21	4Q21	1Q22	PLN B	%
<b>Cash and balances with the Central Bank</b>	<b>14.9</b>	<b>15.0</b>	<b>14.9</b>	<b>6.5</b>	<b>2.7</b>	<b>(3.8)</b>	<b>(58%)</b>
Amounts due from banks	0.8	0.9	1.0	1.0	2.1	1.2	121%
Financial assets held-for-trading	5.9	5.2	5.3	10.0	14.3	4.4	44%
<b>Debt financial asstes measured at fair value through other comprehensive income</b>	<b>12.6</b>	<b>13.6</b>	<b>16.1</b>	<b>20.6</b>	<b>24.6</b>	<b>4.0</b>	<b>19%</b>
<b>Customer loans</b>	<b>22.3</b>	<b>20.6</b>	<b>20.8</b>	<b>21.3</b>	<b>23.1</b>	<b>1.7</b>	<b>8%</b>
<b>Financial sector entities</b>	<b>3.8</b>	<b>3.4</b>	<b>3.5</b>	<b>3.4</b>	<b>3.9</b>	<b>0.5</b>	<b>14%</b>
including reverse repo receivables	0.0	0.0	0.0	-	0.2	0.2	-
<b>Non-financial sector entities</b>	<b>18.5</b>	<b>17.2</b>	<b>17.4</b>	<b>17.9</b>	<b>19.1</b>	<b>1.2</b>	<b>7%</b>
<b>Institutional Banking</b>	<b>11.4</b>	<b>10.2</b>	<b>10.3</b>	<b>10.9</b>	<b>12.4</b>	<b>1.5</b>	<b>13%</b>
<b>Consumer Banking</b>	<b>7.0</b>	<b>7.1</b>	<b>7.1</b>	<b>7.0</b>	<b>6.8</b>	<b>(0.2)</b>	<b>(3%)</b>
Unsecured receivables	4.8	4.7	4.7	4.6	4.4	(0.2)	(4%)
Credit cards	2.4	2.4	2.4	2.4	2.3	(0.1)	(5%)
Cash loans	2.4	2.3	2.2	2.1	2.1	(0.1)	(4%)
Other unsecured receivables	0.0	0.0	0.0	0.0	0.1	0.0	35%
Mortgage	2.2	2.3	2.4	2.4	2.4	(0.0)	(1%)
Other assets	2.3	2.4	2.3	2.5	2.4	(0.1)	(2%)
<b>Total assets</b>	<b>58.8</b>	<b>57.7</b>	<b>60.5</b>	<b>61.9</b>	<b>69.3</b>	<b>7.4</b>	<b>12%</b>

# Balance sheet – liabilities and equity

PLN B	End of period					1Q22 vs. 4Q21	
	1Q21	2Q21	3Q21	4Q21	1Q22	PLN B	%
Liabilities due to banks	2.8	1.6	1.6	3.4	4.5	1.1	34%
Financial liabilities held-for-trading	3.1	3.1	4.9	6.6	10.2	3.6	55%
<b>Financial liabilities due to customers</b>	<b>44.1</b>	<b>43.3</b>	<b>45.1</b>	<b>43.5</b>	<b>45.5</b>	<b>2.0</b>	<b>5%</b>
Financial sector entities - deposits	3.5	4.1	4.0	3.2	3.4	0.3	8%
<b>Non-financial sector entities - deposits</b>	<b>40.3</b>	<b>39.0</b>	<b>40.9</b>	<b>39.6</b>	<b>40.8</b>	<b>1.2</b>	<b>3%</b>
Institutional Banking	24.1	23.1	24.6	22.8	23.4	0.6	3%
Consumer Banking	16.2	15.9	16.2	16.8	17.4	0.5	3%
Other deposits	0.3	0.2	0.3	0.7	1.3	0.6	79%
Other liabilities	1.3	2.0	1.3	1.0	1.7	0.7	66%
<b>Total liabilities</b>	<b>51.2</b>	<b>50.1</b>	<b>53.0</b>	<b>54.5</b>	<b>61.9</b>	<b>7.4</b>	<b>14%</b>
Share capital	0.5	0.5	0.5	0.5	0.5	0.0	0%
Supplementary capital	3.0	3.0	3.0	3.0	3.0	0.0	0%
Revaluation reserve	0.1	(0.0)	(0.0)	(0.3)	(0.6)	(0.3)	92%
Other reserves	2.8	2.8	2.8	2.8	2.8	0.0	0%
Retained earning	1.2	1.3	1.2	1.4	1.6	0.3	21%
<b>Total Equity</b>	<b>7.6</b>	<b>7.6</b>	<b>7.5</b>	<b>7.4</b>	<b>7.4</b>	<b>(0.0)</b>	<b>(0%)</b>
<b>Total liabilities &amp; equity</b>	<b>58.8</b>	<b>57.7</b>	<b>60.5</b>	<b>61.9</b>	<b>69.3</b>	<b>7.4</b>	<b>12%</b>
Loans / Deposits ratio	51%	48%	46%	49%	51%		