

 **citi handlowy**

May 27, 2025

Consumer Bank Exit



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Strategic Rationale

Rationale to exit the Consumer Business

- Focus on institutional clients, with the aim of deepening client relationships
- Directing investments and resources in the area in which Citi Handlowy has competitive advantages as well as scale
- High sensitivity to rates of Consumer Business resulting from balance sheet structure
- Alignment with the strategy of Citi to exit consumer banking across 15 markets globally

Benefits to clients and employees

- Clients will automatically be migrated to the VeloBank platform with no further actions required from them and without material disruption
- The parties to the Transaction intend that current product and service offering will be mirrored by VeloBank to continue the positive journey with Citi Handlowy clients
- Citi Handlowy employees will be welcomed by VeloBank to preserve existing client relationships and complement offered business solutions

Unlocked growth opportunity for Citi Handlowy Institutional Banking

- Consumer Bank exit paves the way for Citi Handlowy to accelerated growth profile and sustainable earnings
- Released capital and available liquidity will be strategically redeployed into the Institutional Bank to achieve better dynamic growth of business volumes leveraging macro environment
- It translates into higher long-term returns for shareholders, targeting ~19% ROE by 2027
- Despite the declining interest rates cycle, bank plans to maximize the value for shareholders in the form of dividend payments at the level of 75%-100%

Transaction Highlights

Transaction perimeter

- Sale of Citi Handlowy Consumer Business (incl. credit cards, unsecured loans, PLN mortgages, retail deposits and assets under management, wealth management, retail brokerage, and micro clients business, as well as c. 1,650 employees and branches servicing Consumer Banking clients)
- The perimeter includes c. PLN 6.0 Bn loans, c. PLN 22.1 Bn deposits and PLN 8.9 Bn AUM with corresponding equity of c. PLN 0.9 Bn
- The FX retail mortgage portfolio (PLN 24 MM equivalent) and selected industry-wide risks up to a cap are retained by Citi Handlowy

Transaction structure

- The sale will be structured as a demerger of an organized part of an enterprise to VeloBank S.A., where Citi Handlowy receives shares in VeloBank in exchange for the transfer of the Transaction Perimeter. The VeloBank shares will immediately after be repurchased by VeloBank's shareholders for the cash consideration
- The migration will take place at demerger date

Transaction economics

- Total shareholder value related to Transaction amounts to ~PLN 1.1 Bn and consist of the following components:
 1. Fixed price component estimated at PLN 432 MM
 2. Variable price component up to PLN 100 MM payable at closing – depending on the business volumes
 3. Released excess capital along with the retained net profits generated by the Consumer Business until closing estimated at PLN 570 MM*
- Citi Handlowy will recognize a net loss on sale amounting to c. PLN 380 MM in Q2 2025 (excluding variable price component)
- Two independent third-party fairness opinions (EY and another reputable financial advisor) confirmed fairness of the financial terms of the Transaction
- Citi Handlowy will request regulatory approval for the distribution of the cash consideration and undistributed profits from previous years to be paid (in the form of dividend) in 2025 and 2026

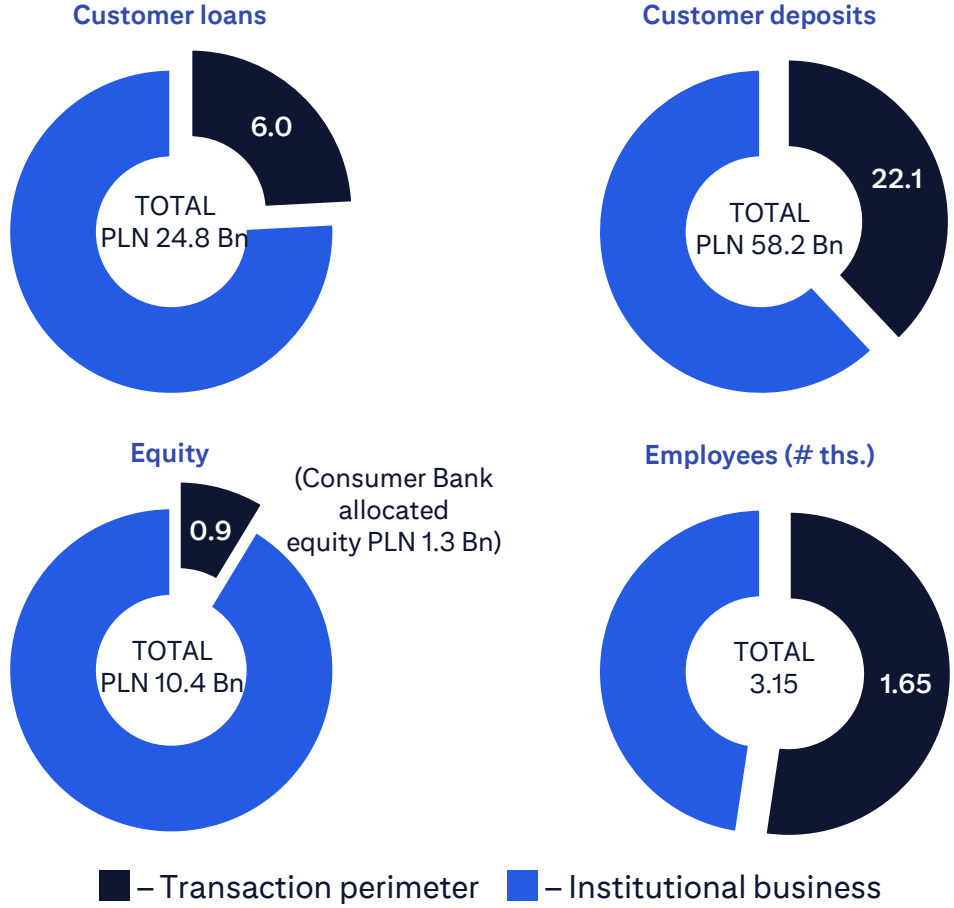
Approvals and timeline

- The transaction is subject to customary closing conditions including regulatory approvals and is expected to close in mid 2026

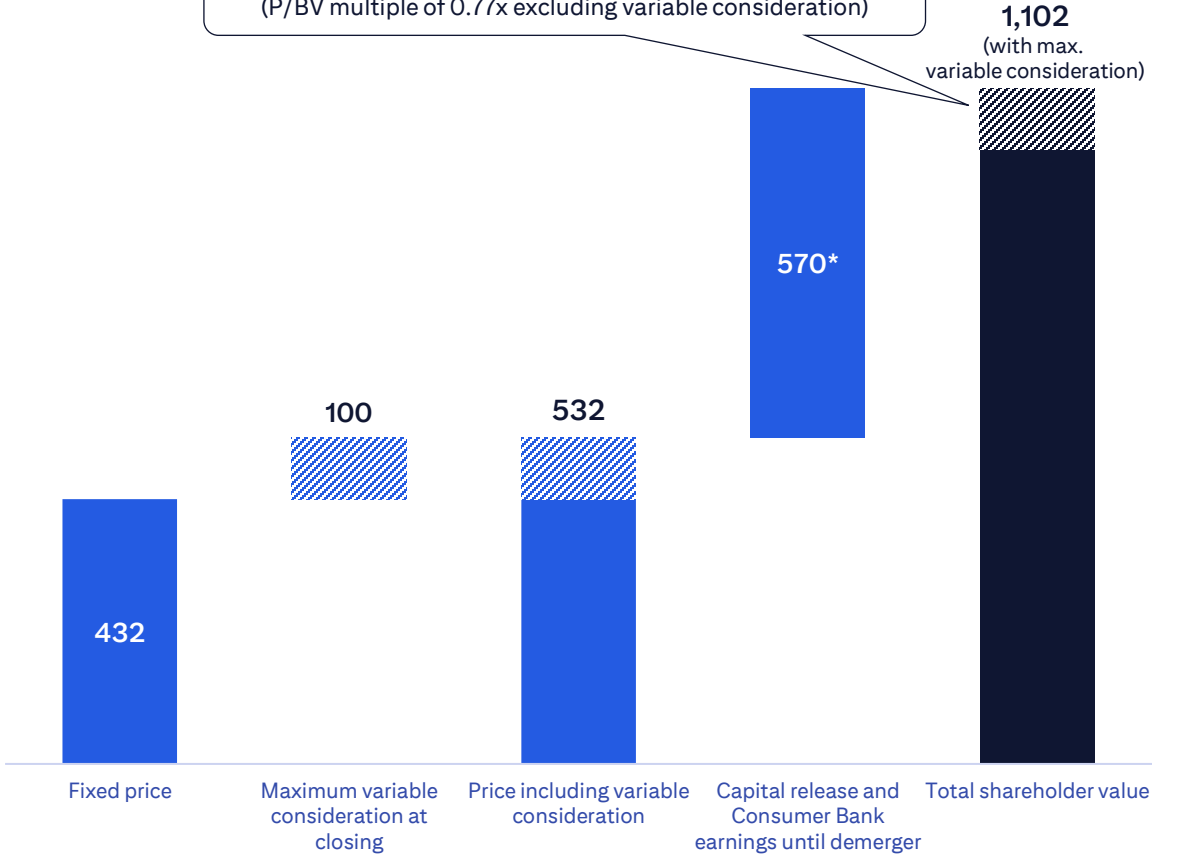
Transaction Financial Implications

Transaction perimeter (PLN Bn, Q1 2025)

Shareholder value and transaction economics (PLN MM)



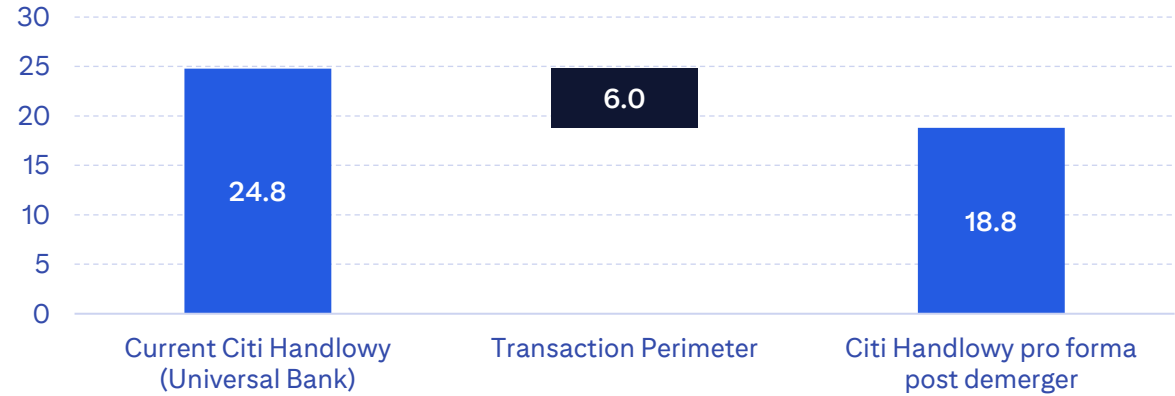
Blended P/BV multiple of 0.85x incl. capital release and earnings
(P/BV multiple of 0.77x excluding variable consideration)



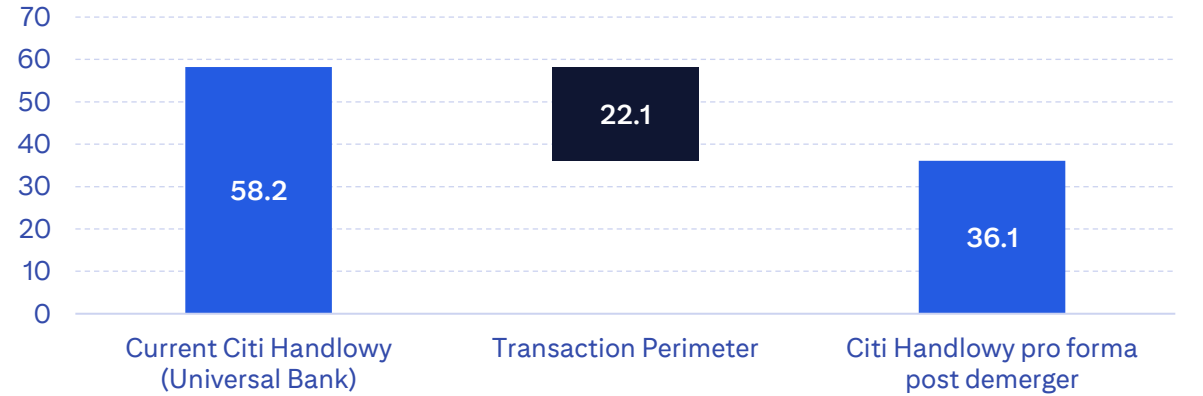
*) Based on the latest Citi Handlowy interest rates forecast and net interest income sensitivity

Citi Handlowy Post Demerger (pro forma)

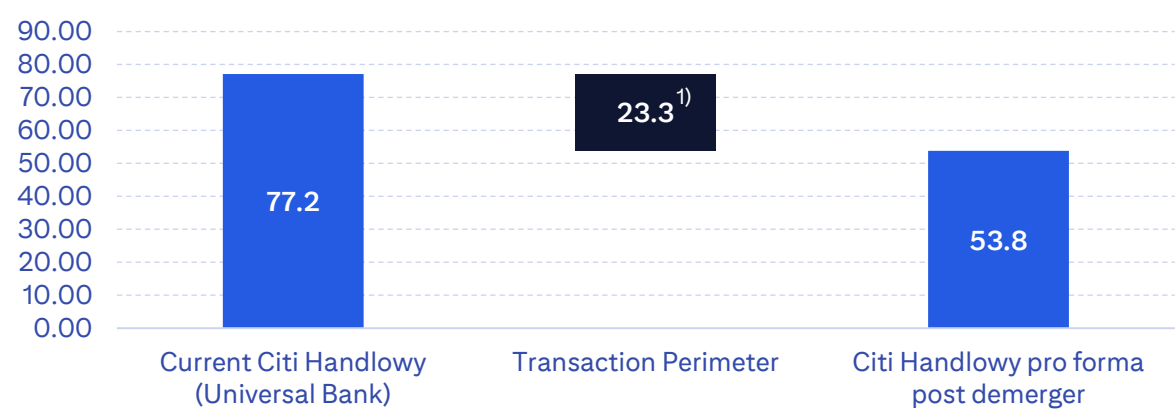
Loans (PLN Bn, Q1 2025)



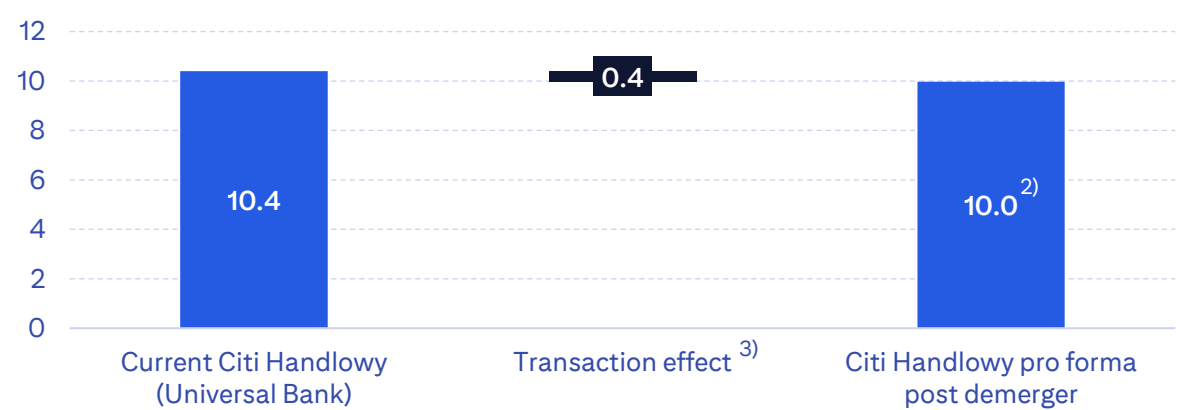
Deposits (PLN Bn, Q1 2025)



Total assets (PLN Bn, Q1 2025)



Equity (PLN Bn, Q1 2025)



1) remaining part of total assets besides loans will be mostly comprising cash and liquid assets
 2) assuming payout of price consideration of PLN 432 MM
 3) to be distributed as a dividend subject to regulatory approval

The logo for Citi Handlowy, featuring the word "citi" in white lowercase letters with a red arc above the "i", followed by the word "handlowy" in white lowercase letters.