

# Bank Handlowy w Warszawie S.A.



December 2006

- ❑ Strategy and business highlights
  - ❑ Distribution channels
  - ❑ Corporate and Investment Bank
  - ❑ Consumer Bank
- ❑ Financial snapshot after 3Q 2006

# □ Strategy and business highlights

# History of Citibank Handlowy



*Historical Head Office of the Bank, Warsaw, 7/9 Traugutta Street*

- **1870** – Bank Handlowy w Warszawie established as a privately-owned joint stock company by a group of investors formed by Leopold Kronenberg
- **1918-1939** – Bank Handlowy develops into the largest privately-owned bank in Poland
- **1939-1945** – the Bank continues its operations despite WW2
- **1946-1966** – the State Treasury gradually increases its ownership of the Bank to 100%
- **1963** – the Bank entrusted with an official monopoly on servicing Poland's foreign trade
- **1989** – the Bank diversifies its business towards corporate lending and investment banking

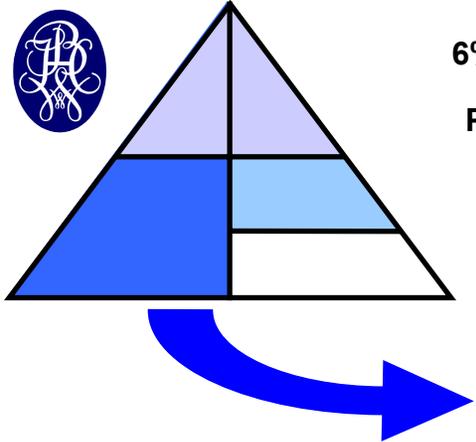


*Current Head Office of the Bank, Warsaw, 16 Senatorska Street*

- **1991** – Citibank enters the Polish market
- **1997** – reprivatization and listing of Bank Handlowy w Warszawie on the WSE
- **2000** – Citigroup acquires 85% stake in Bank Handlowy
- **2001** – Bank Handlowy w Warszawie merges with Citibank (Poland); Citigroup's stake in Bank Handlowy increases to 89%
- **2003** – Legal name: Bank Handlowy w Warszawie SA, Citibank Handlowy - single brand

# From past to present

## BANK HANDLOWY W WARSZAWIE SA



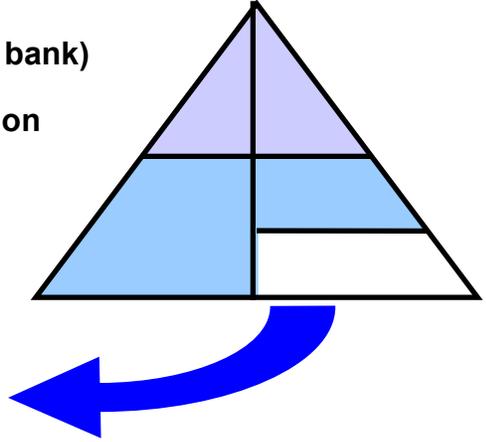
6% (TOP 4 bank)  
 PLN 21.5 billion  
 14,000  
 240,000  
 156  
 4,700

### Merger in March 2001

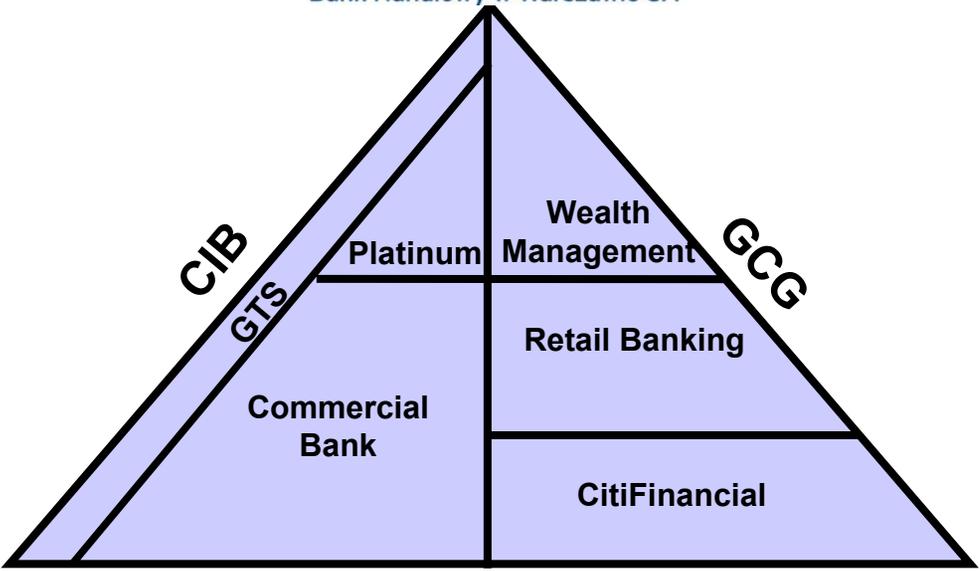
Revenue Market Share  
 Assets  
 Corporate Customers  
 Consumer Customers  
 Outlets  
 Employees

3% (TOP 12 bank)  
 PLN 9.6 billion  
 2,000  
 45,000  
 8  
 800

## CITIBANK+



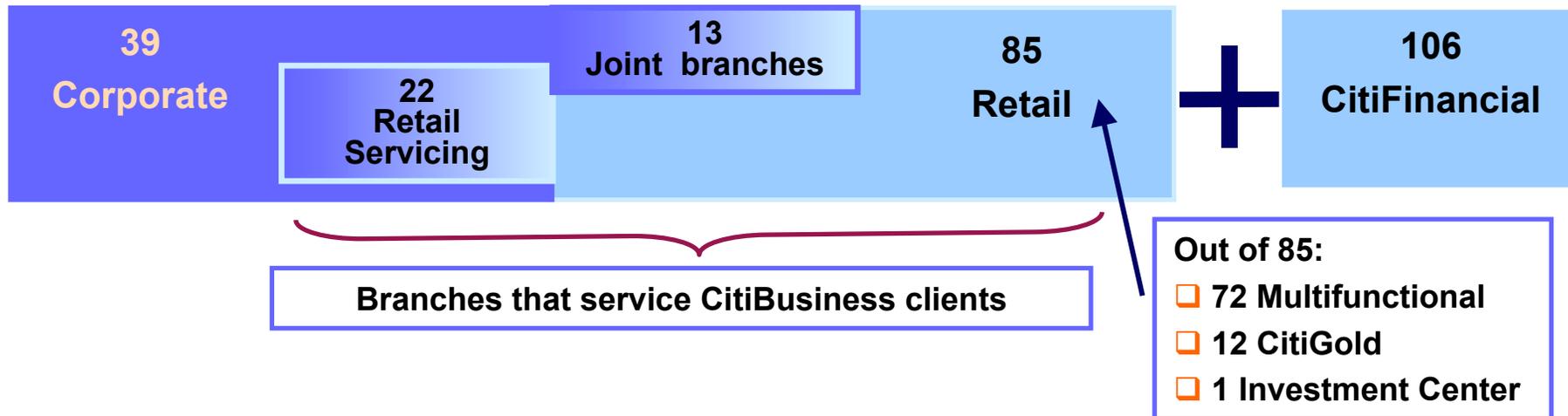
## **citibank handlowy** Bank Handlowy w Warszawie SA



## □ Distribution channels

# Tailored branch network

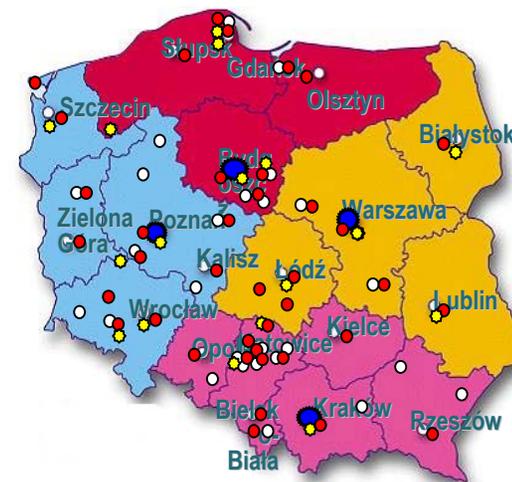
## Branch network currently – 230 branches



## Branch network in 2007 – 314 branches

- 127 branches servicing both individual and corporate customers
- 187 CitiFinancial branches

**OVER 50% INCREASE IN THE NUMBER OF BRANCHES SERVICING INDIVIDUAL CUSTOMERS!**



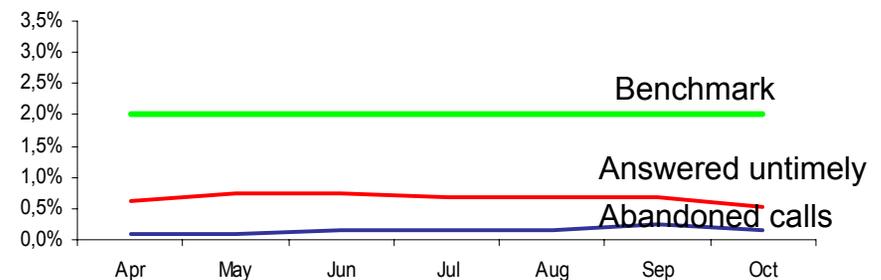
- ❑ **Specialised Citiservice team to handle corporate clients' queries and investigations over the phone**
- ❑ **High standards of service: 99,48% customer calls are answered within 10 seconds**
- ❑ **Exceeding expectations by offering transaction banking products based on client knowledge and daily relationship**
- ❑ **Personalised and tailored service for platinum and global clients**
- ❑ **User-friendly Interactive Voice Response option for instant information and service**



Investigations resolved untimely



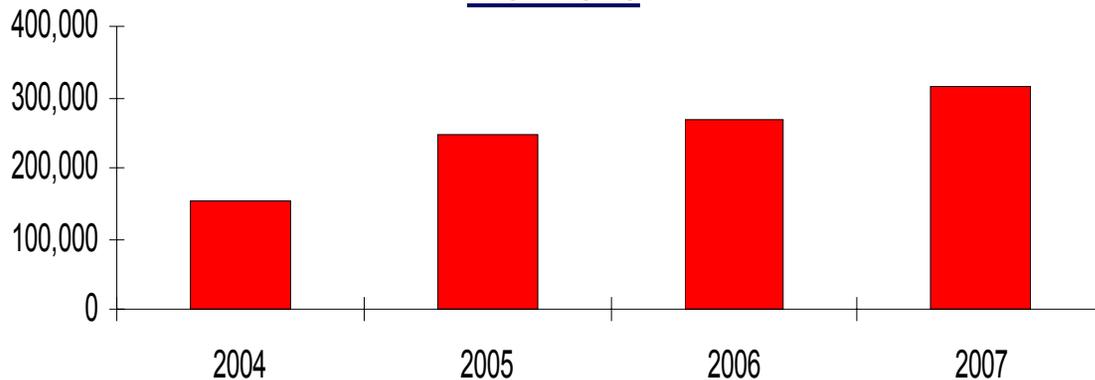
Calls abandoned & calls answered after 10 sec.



- ❑ High standards in waiting time, waiting time for 80% phone calls - below 20 seconds
- ❑ Each day every tenth customer signs up for a new service or product
- ❑ Toll free CitiPhone number for customers calling from abroad
- ❑ Under CitiPhone – integration of electronic and phone channels

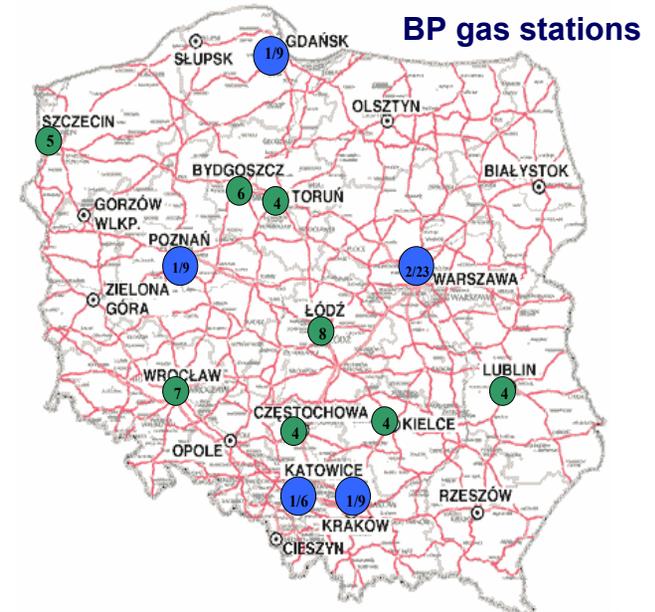


**Number of products and services purchased via CitiPhone**



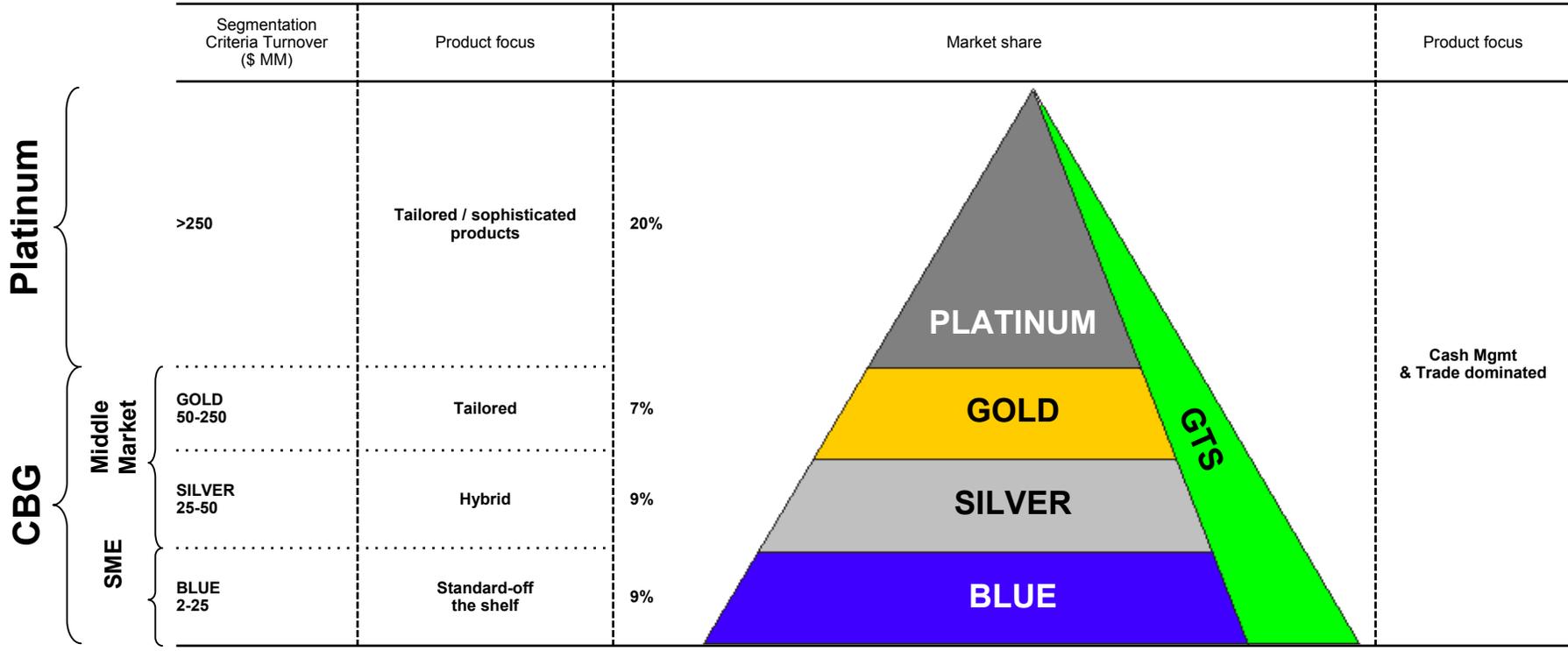
# Strategy – closer to the Client

- ❑ Alternative channels
- ❑ Innovative access channels – BP gas stations, malls
- ❑ Outlets in companies – mini-branches
- ❑ 2007
  - ❑ 100 BP gas stations
  - ❑ 10 malls
  - ❑ 20 Mini –branches



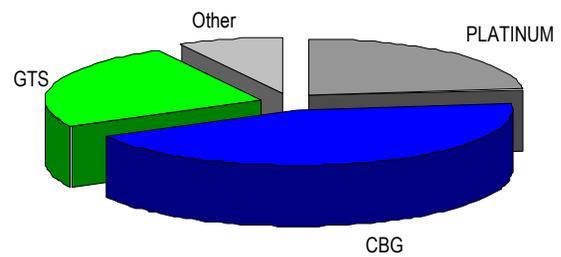
# □ Corporate and Investment Bank

## Strong product coverage in all segments



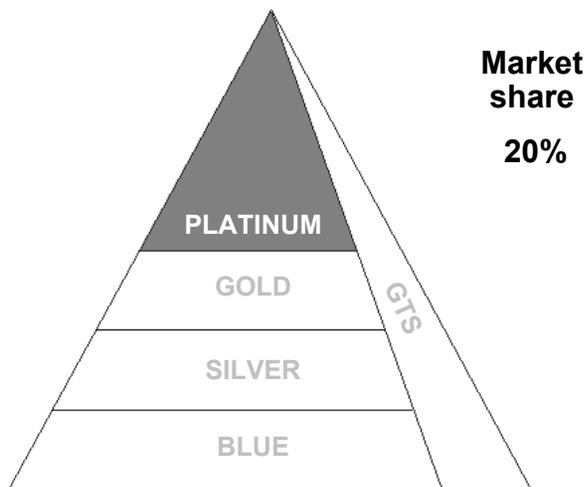
**Citibank Handlowy #1 on the corporate market with 9% market share – first or second position in 5 out of 7 categories**

Revenue structure



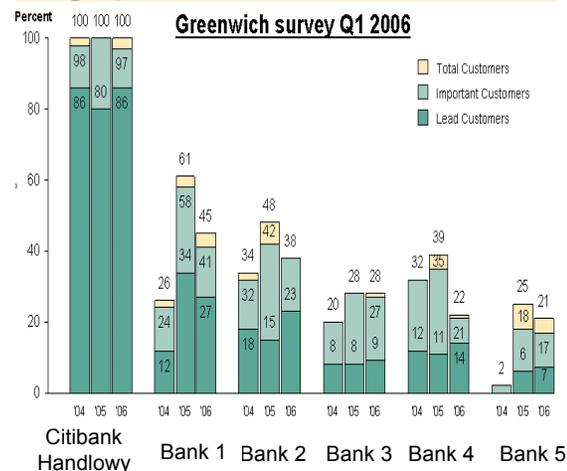
# Platinum

## The best Corporate Bank in Poland



### Market position

#### High penetration and 90% satisfaction



### Tailwinds

- Strong economic growth (GDP, export, foreign investments)
- GRB investments
- Regional expansion of some TTLC
- EU membership (structural funds spending)
- Experienced bankers and working London link

### Strategy

- GRB – grow with increased flows and investments protecting our high share of wallet
- TTLC penetration - influence, structure and support TTLC clients' long-term strategy
- PSG – capture postponed investment in infrastructure
- FI – lead the development of structured products

# Platinum – key deals closed in 2006

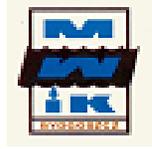
## Deals closed



MTN program

**PLN 100 mn**  
MLA

2006



Revenue bonds  
II Tranche  
**PLN 400 mn**  
MLA

2006



Club-deal facility

**USD 780 mn**  
MLA (club-deal)

2006



Syndicated loan

**EUR 604 mn**  
MLA

2006



Acquisition of a listed  
company  
**USD 200 mn**  
Financial Advisor to the Buyer

2006



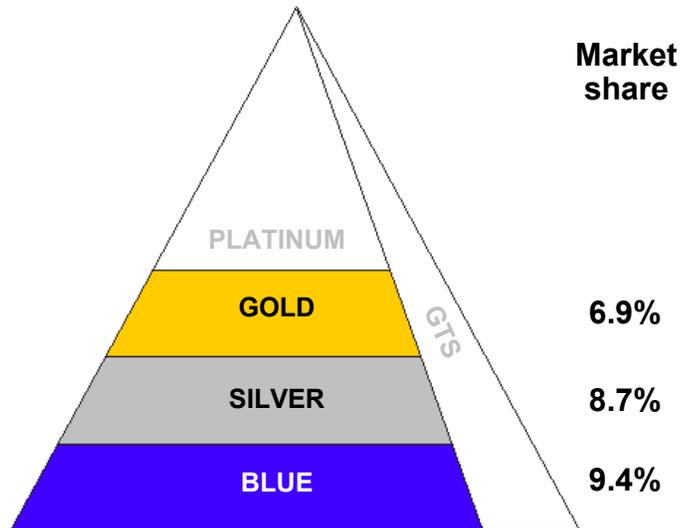
Bonds program  
& Swap  
**USD 250 mn**  
MLA

2006

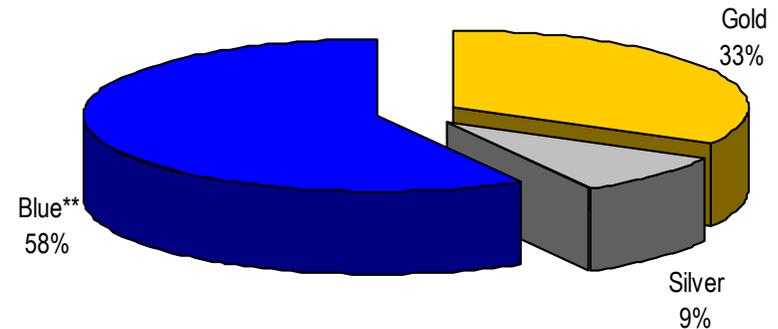


Acquisition of EMAX  
PLN 480 mn  
**Major M&A transaction**

2006



### Revenue structure by sub-segment\*



\* 2006 September YTD  
\*\* Including Public Sector Clients

### Strategy initiatives

#### Revenue growth supported by a number of initiatives

- Sales & Trading
- Leasing
- Trade

#### Assets build- up

- New Credit Program Implementation – Collateral treatment, Tenors, Sole Bank – solutions that help u return to the Market
- Further TM expansion

#### Customer Satisfaction

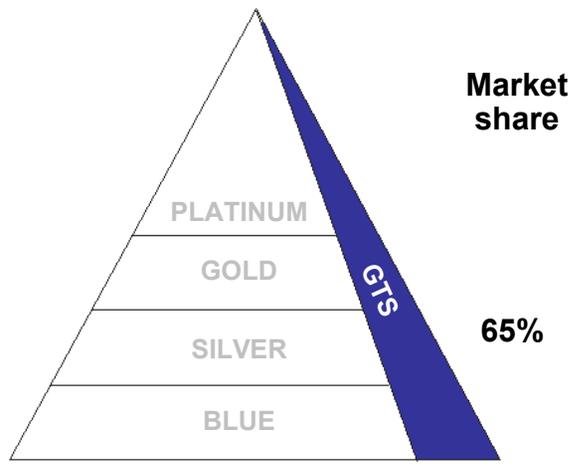
- Customized product offer for customers
- Faster Credit Approval Process
- Lower portfolio loading as a result of new sales model implementation

#### Search for efficiency

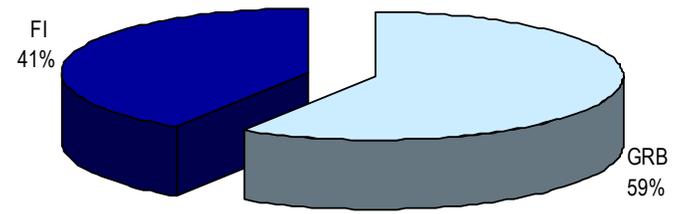
- Business Sales Model redesigned
- Product Offer improvements – In GTS area
- New Senior Officer fully dedicated to most sophisticated credit products ex. Corporate Finance

# GTS Segment

The best in class for GRB customers



## Revenue structure by sub-segment\*



\* 2006 July YTD

## Driven by quality and innovation



## Strategy

- Revenue growth**
  - Operating account strategy (multiproduct & volume x-sell)
  - Client acquisition/wallet penetration within relationship groups
  - Regional leverage for green field investments / capturing of new clients & product development
- Search for efficiency**
  - Decrease the average sales time by 15%
  - All goals to be achieved with the same HC level maintained
- Customer satisfaction**
  - Providing top-class banking service for client coverage by relationship team (both local & international)

<b>RETAILERS</b> (hypermarkets)  <b>70%</b> <b>MARKET SHARE</b>	<b>GRB CORPORATE</b> 1st or 2nd bank In banking relationship	<b>PENSION FUNDS</b>  <b>75%</b> <b>MARKET SHARE</b>	<b>INSURANCE</b>  <b>65%</b> <b>MARKET SHARE</b>
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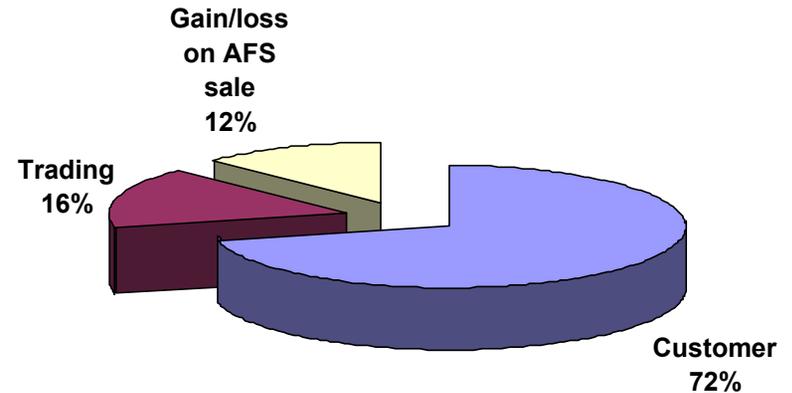
## Customer business

- Customer Acquisition and attrition management
- Conversion of active customers and new customer acquisition through on-line trading platform
- Platform capacity; Call Manager (IVR) implementation to manage >10,000 customers

## Trading

- Maintain leading position in flow business:
  - Bond Market Making (market making desk for Citigroup)
  - IR Derivatives Market Making
  - Foreign Exchange Market Making

## Revenue structure after 3Q 2006



## Risk Treasury

- Long-term Euro zone convergence
- Significant increase in risk taking due to lower nominal yields
- Management of excess liquidity and improve yield on placements

Professional market products	Market share*	Market position*
FX	15-20%	1
Debt	10-15%	3
Derivatives	25%	1

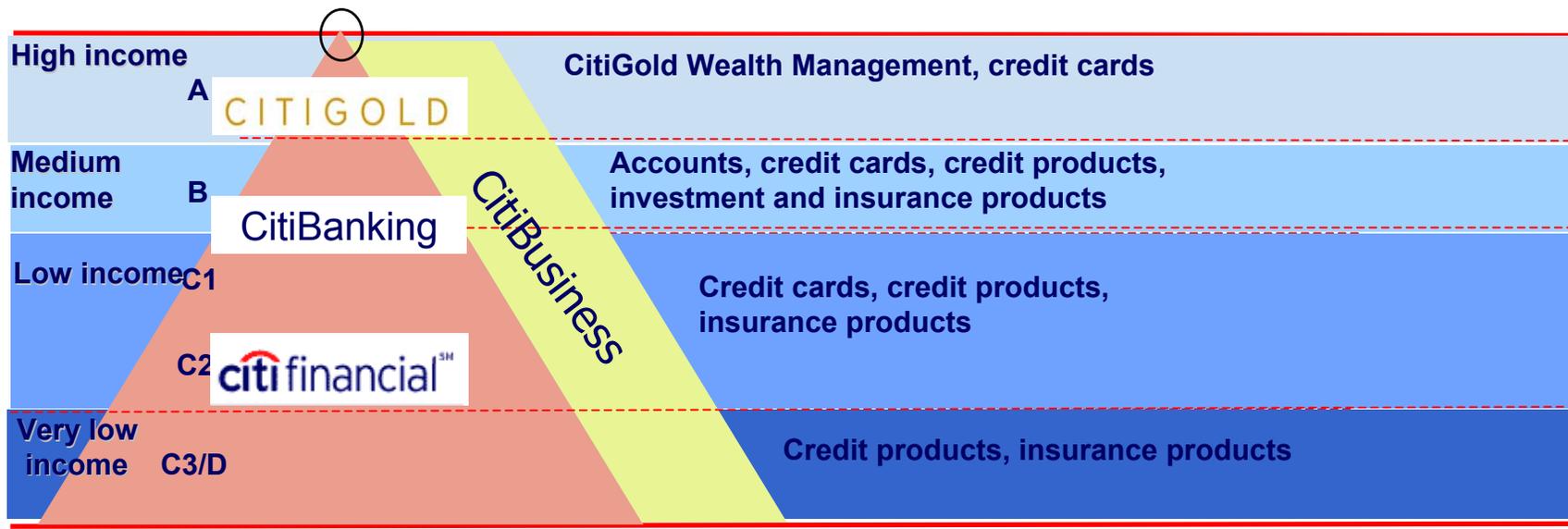
\*estimates

# □ Consumer Bank

# Consumer Bank – segments

**Customer Segment**

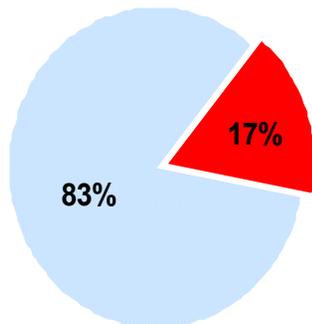
**Product offer**



# Consumer Bank – market position

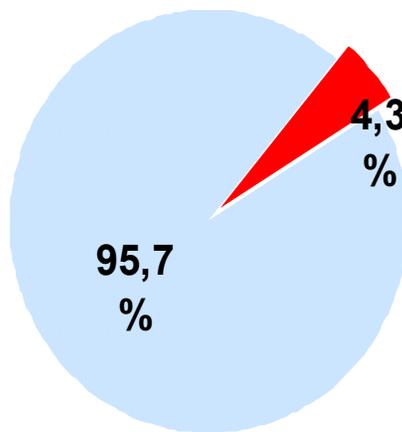
**2006**

## Wealth Management



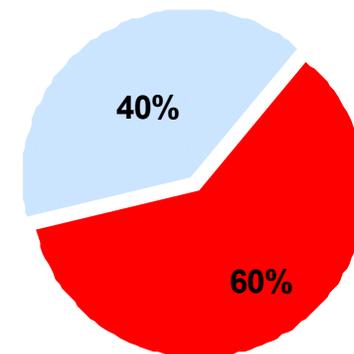
**2006**

## The Bank's share in revenue of retail banking segment in Poland(Q2, 2006)



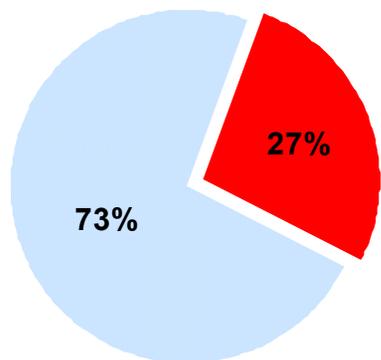
**2006**

## Distribution of foreign mutual funds



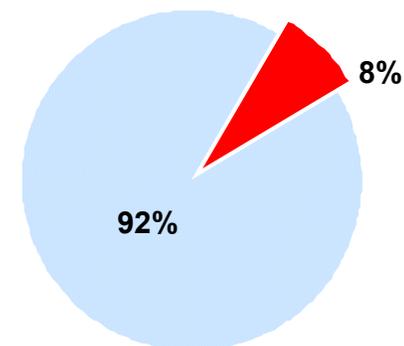
**2006**

## Value of credit card transactions



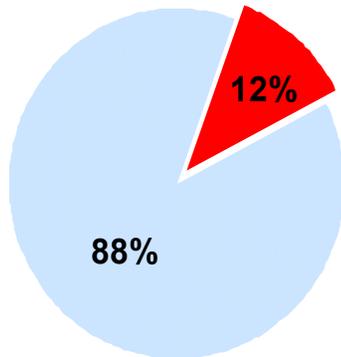
**2006**

## Internet users

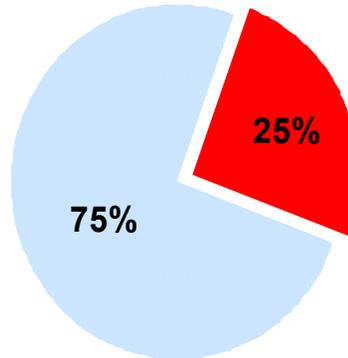


# Credit cards

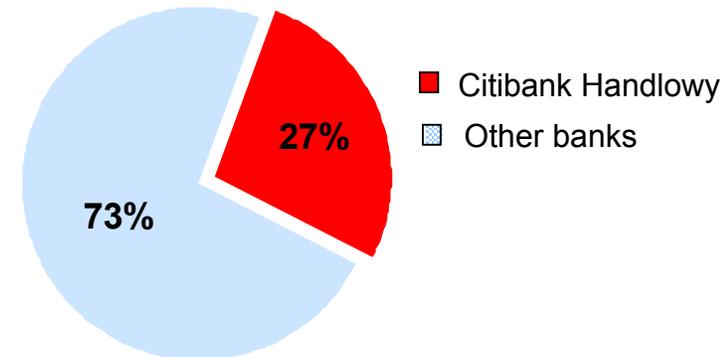
Number of cards issued



Number of transactions



Transaction value



\* NBP data for 2Q 2006

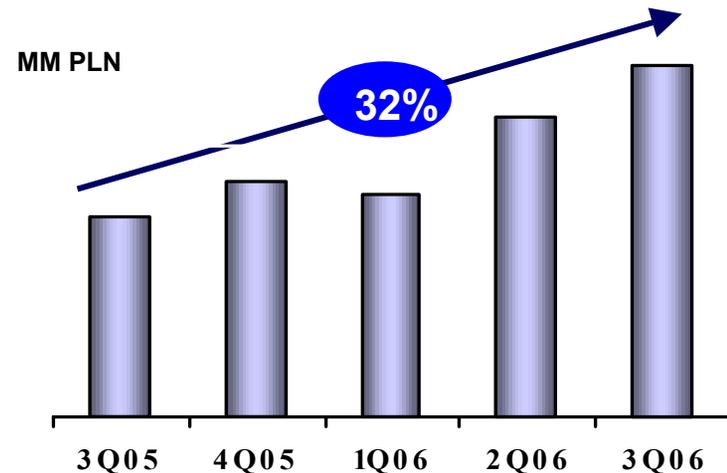
**637 thousand credit cards issued as at Sept 30, 2006**

**Differentiated offer!**

**Safest cards!**

**The biggest discount program – 2400 points of sale!**

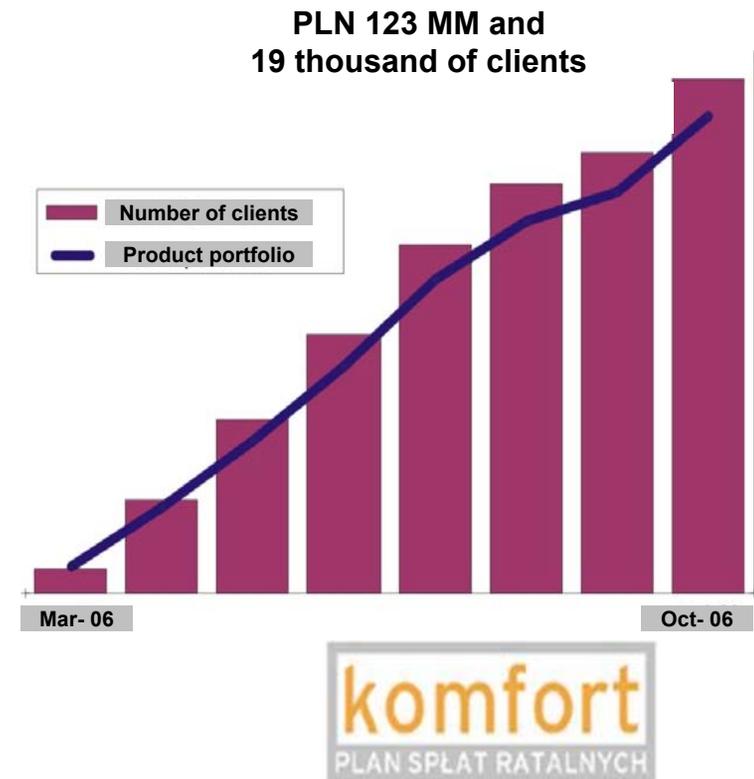
**Credit cards average net receivables**



# Strategy – cards - even more innovations

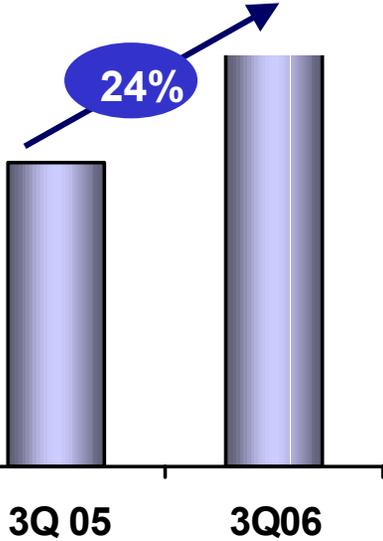
- ❑ Cash loan on a credit card over the phone – unique functionality in the market
- ❑ Record interest in the product
- ❑ How does it work?
  - ❑ Increasing the credit card limit on the basis on an individual credit decision
  - ❑ Money available within 24 hours
  - ❑ Transfer of money to a personal account of the customer's choice
  - ❑ Repayment under the “Komfort” Installment Plan
- ❑ Expansion of the target market to include:
  - ❑ CitiFinancial customers
  - ❑ students
  - ❑ the youth
- ❑ New co-branded cards
- ❑ The first in Poland car concierge for Individual customers

## Product portfolio (in PLN million)

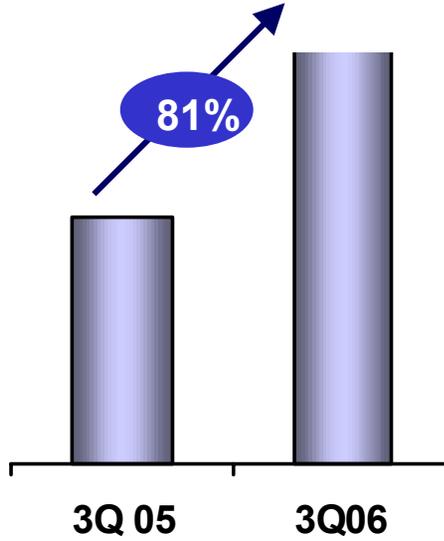


# Investment and Insurance products

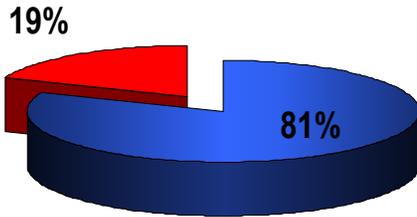
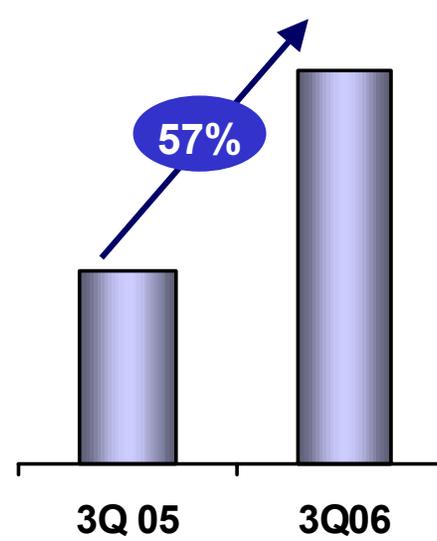
Mutual Fund assets acquired through the Bank



Single Premium Unit Linked



Structured Products



■ On-shore funds ■ Off-shore funds

Client choice in the best Polish and foreign mutual funds:

- Best return investment funds
- Coherent investment management
- Highly qualified and transparent governance
- Compliance with Citigroup standards



Niebotyczny zysk

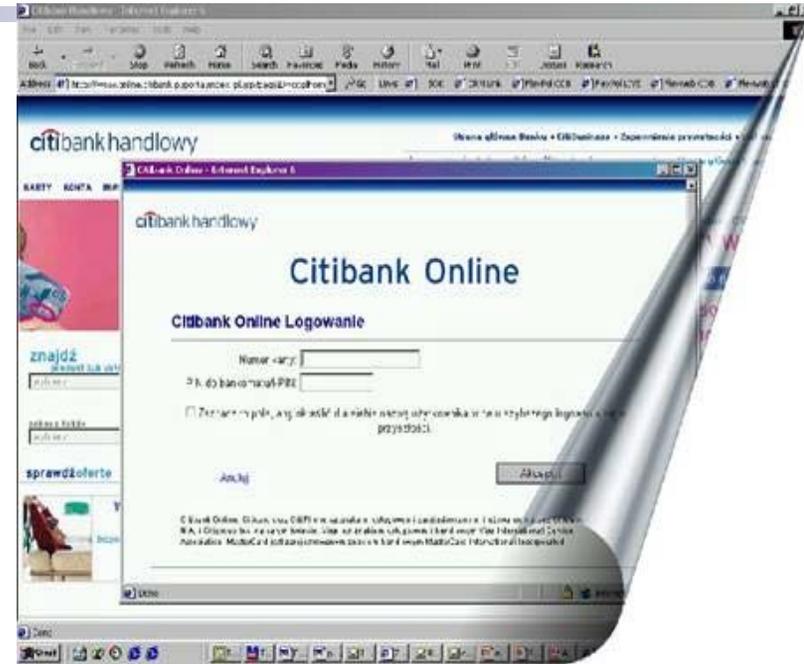


Lokata z Portfelem Inwestycyjnym

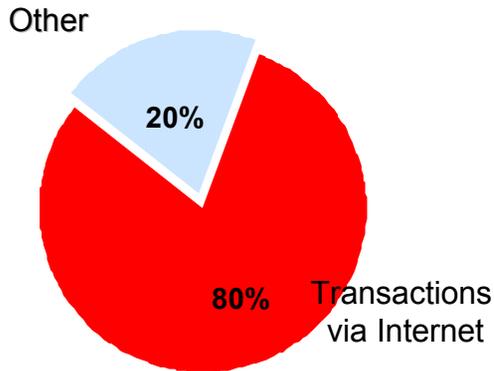
- 3-miesięczna lokata z oprocentowaniem stałym 11%
- 28 funduszy zarządzanych przez 6 renomowanych TFI
- przeniesienie środków między funduszami bez podatku i opłat
- bezpieczne i szybkie zarządzanie Portfelem przez Internet

# Strategy – account

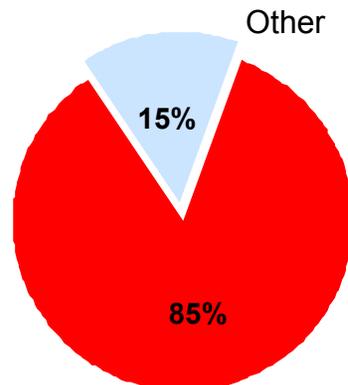
- ❑ Mortgage loans and savings accounts
- ❑ Online transfers free of charge
- ❑ Account opening via the Internet – e-account
- ❑ Multifunctional, transparent debit card (possibility to perform non-cash transactions via the Internet)



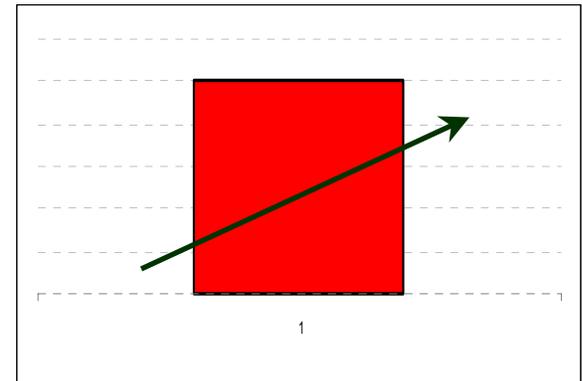
2006



2007



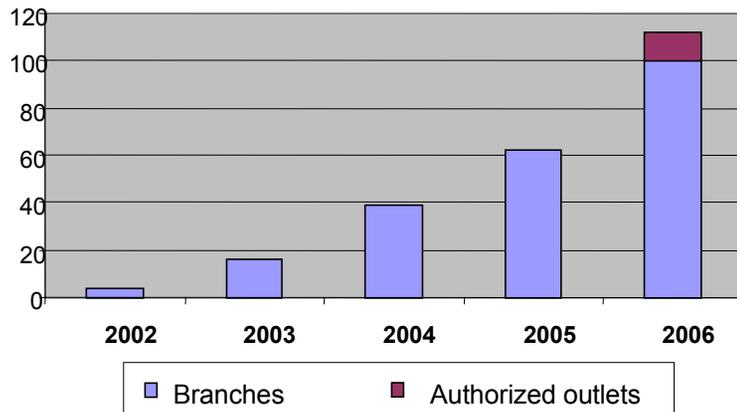
**Number of e-statement users increased by 60% (vs. Q3, 2005)**



# Strategy – Clients – CitiFinancial

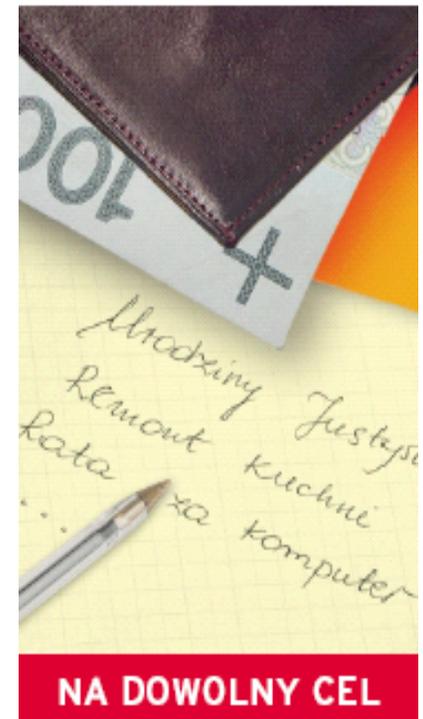
- ❑ Mortgage loan
- ❑ Credit card for CitiFinancial customers
- ❑ About 60% increase in the number of branches by the end of 2007

**Number of CitiFinancial branches**



**Pożyczka  
Gotówkowa**

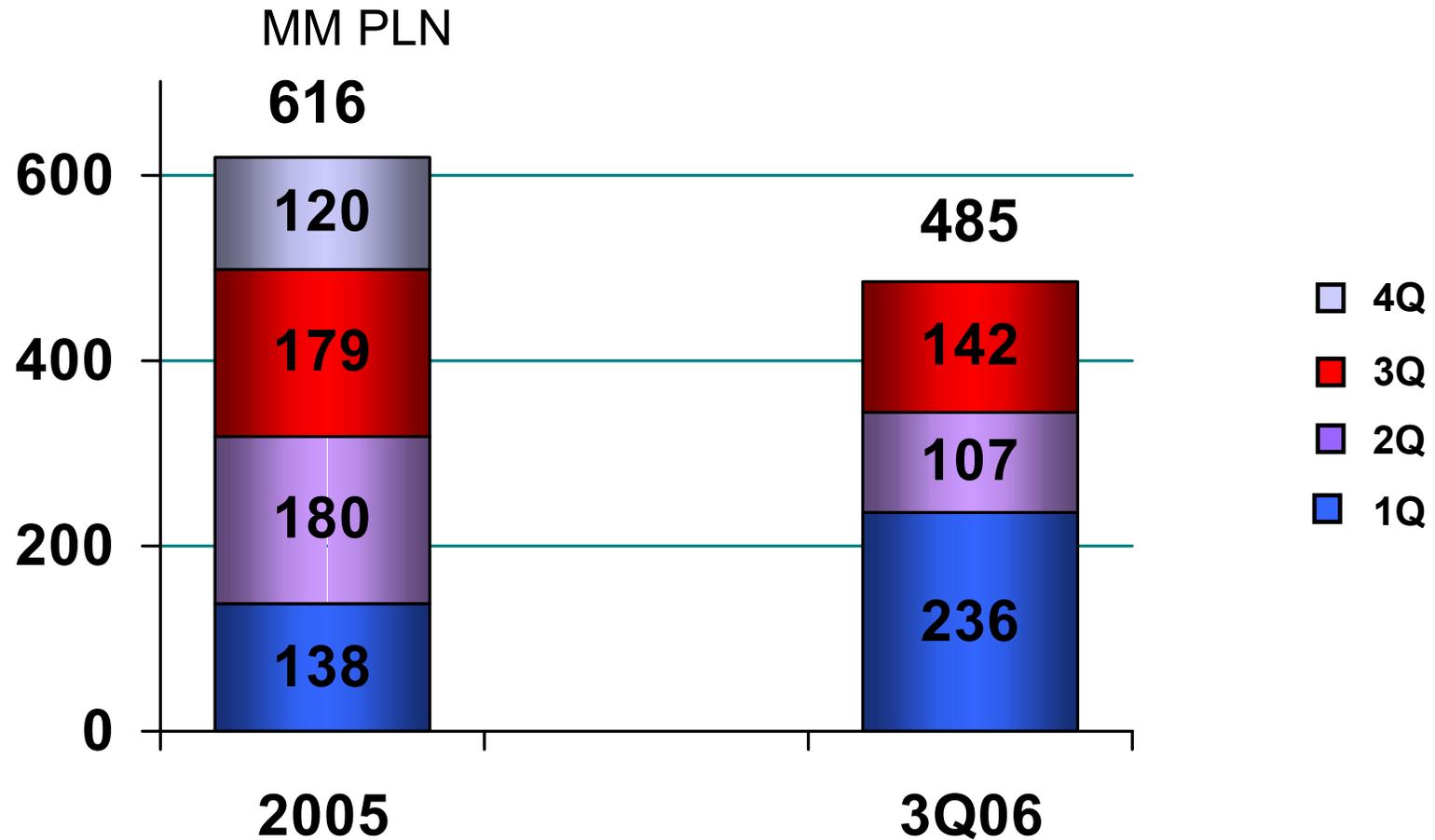
**citi financial**



*Customer-friendly education program – „Droga do dobrego kredytu”  
[The Road to Good Credit]*

# □ 3Q 2006 Financials snapshot

# Almost 80% of the previous year profit achieved after 3Q 2006



Source: Bank's Financial Disclosures

# Cumulative 3Q 2006 results

PLN MM	3Q 06	3Q 05		%
Net interest income	771.9	769.1	2.8	0.4%
Net fee and commission income	447.2	439.2	8.0	1.8%
Dividend income	3.7	2.1	1.6	75.5%
Treasury	286.3	481.1	(194.8)	(40.5%)
Other operating revenue	61.1	53.5	7.6	14.1%
<b>Recurring income</b>	<b>1,570.1</b>	<b>1,745.0</b>	<b>(174.9)</b>	<b>(10.0%)</b>
<b>Expenses and depreciation</b>	<b>(1,114.1)</b>	<b>(1,144.5)</b>	<b>(30.4)</b>	<b>(2.7%)</b>
Income on fixed assets sale	117.2	0.1	117.1	n.m.
Movements in provisions	47.6	39.3	8.3	21.1%
Share in subs' profits	4.1	-7.8	11.9	(152.9%)
<b>EBIT</b>	<b>625.0</b>	<b>632.2</b>	<b>(7.1)</b>	<b>(1.1%)</b>
Corporate tax	(140.1)	(135.3)	4.8	3.6%
<b>Net profit</b>	<b>484.9</b>	<b>496.9</b>	<b>(12.0)</b>	<b>(2.4%)</b>

Source: Bank's Financial Disclosures, data in MM PLN

# Ratios

	3Q 2006	3Q 2005	VARIANCE
Operating Income, MM PLN	1,570	1,745	(10.0%)
Gross income, MM PLN	625	632	(1.1%)
Net income, MM PLN	485	497	(2.4%)
Return on Equity	11.2%	10.1%	
Return on Assets	1.8%	1.8%	
Cost / Income	66.5%	66.5%	
Capital Adequacy Ratio	15.1%	14.6%*	

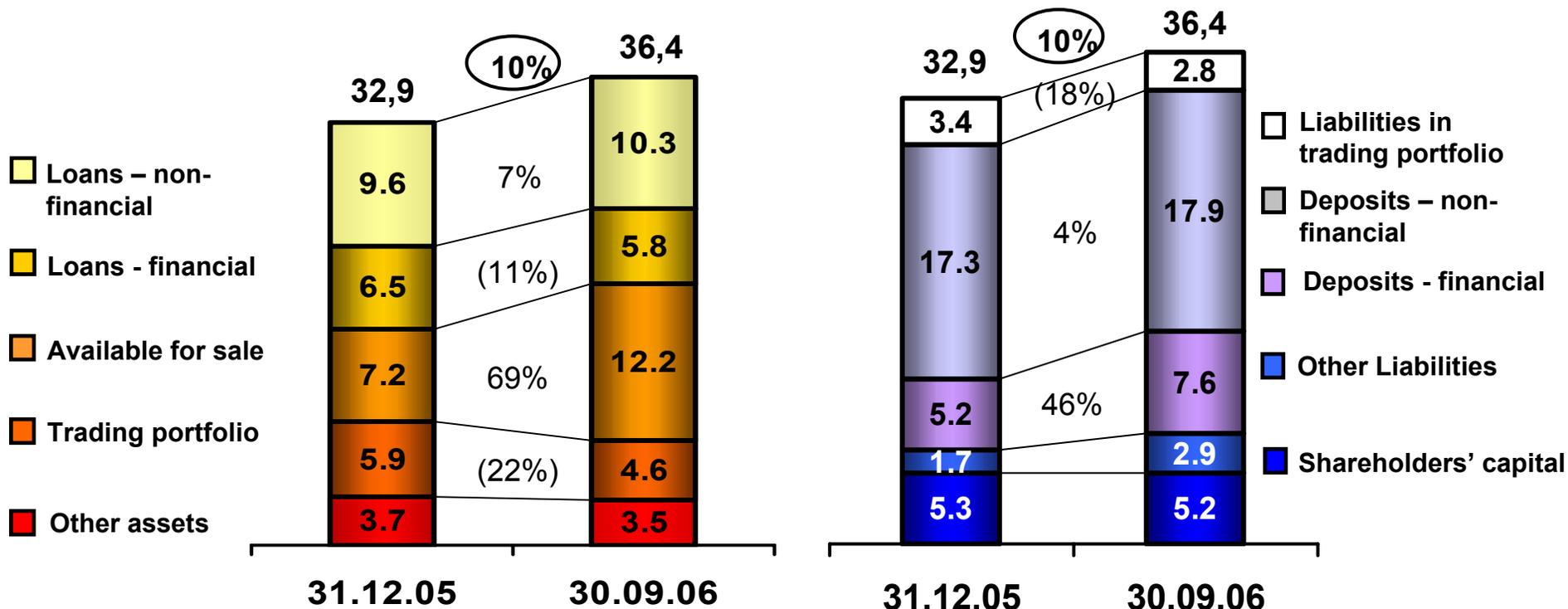
\* as at Dec 31, 2005

Source: Bank's Financial Disclosures

# Balance Sheet structure

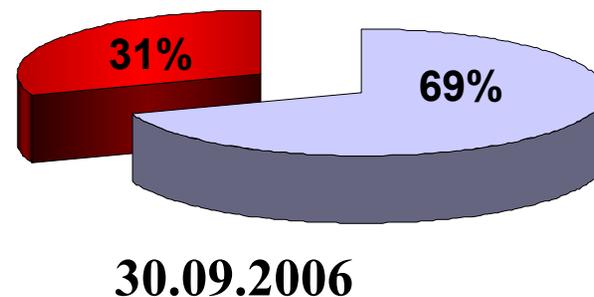
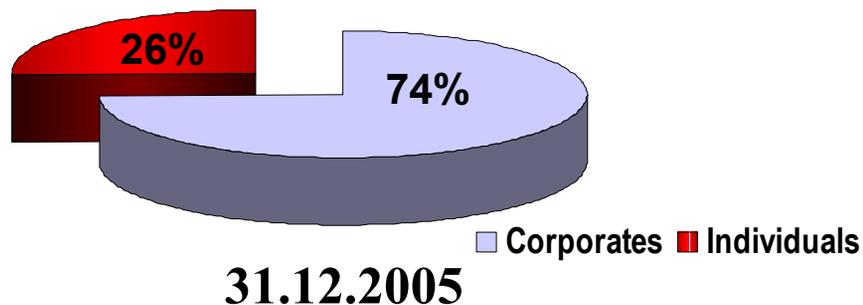
## Assets

## Liabilities

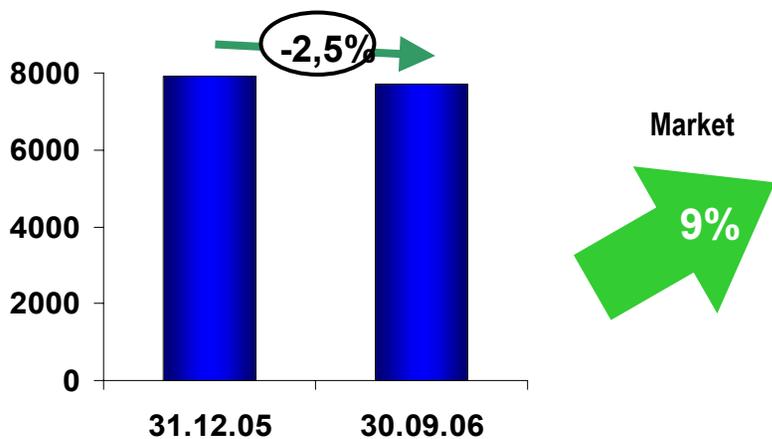


- Increase of non-financial loans due to retail loans increase
- Significant increase of Available For Sale portfolio as a results of of execution of long-term strategy of balance sheet interest rate risk management
- Increase in both non-financial and financial deposits

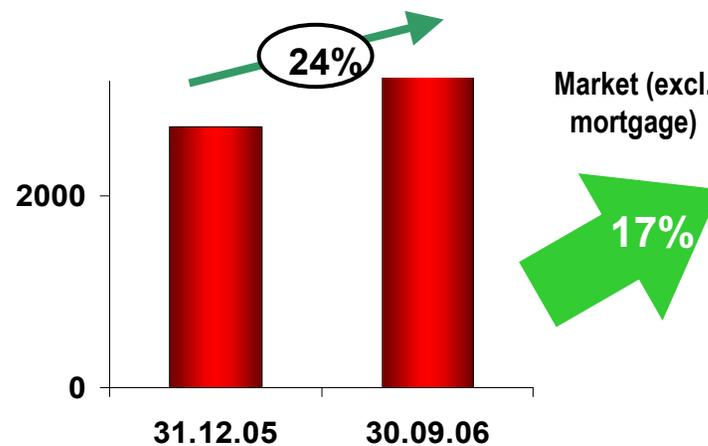
## Non-financial sector loans



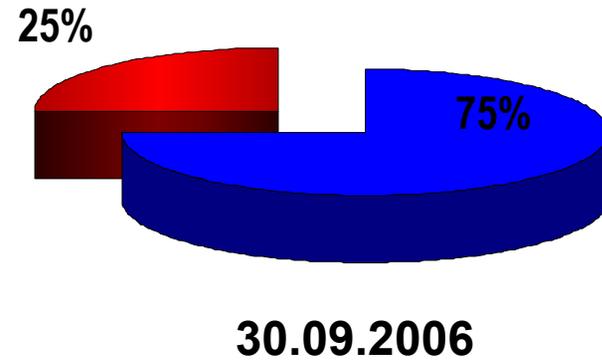
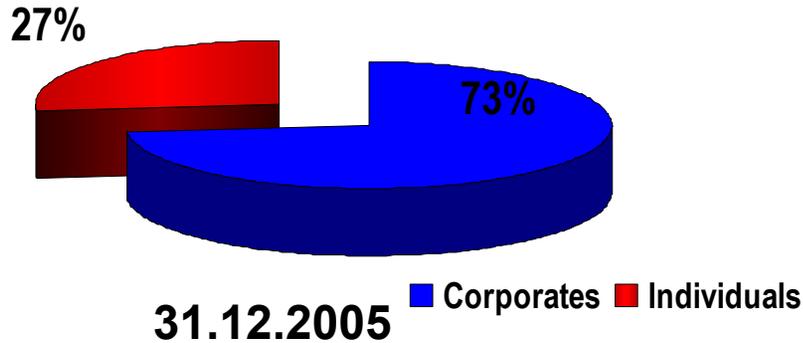
## Corporate clients loans



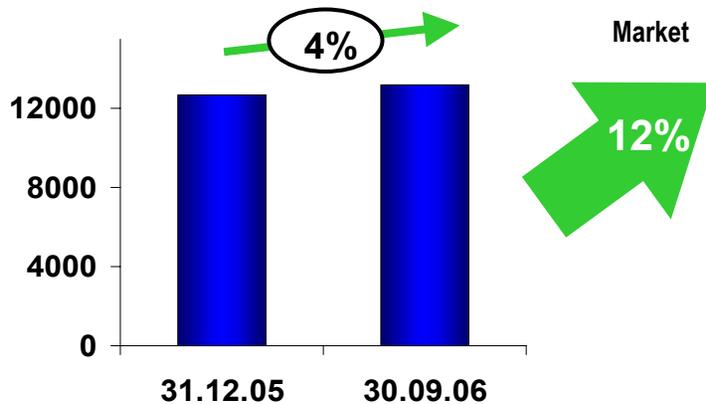
## Retails loans



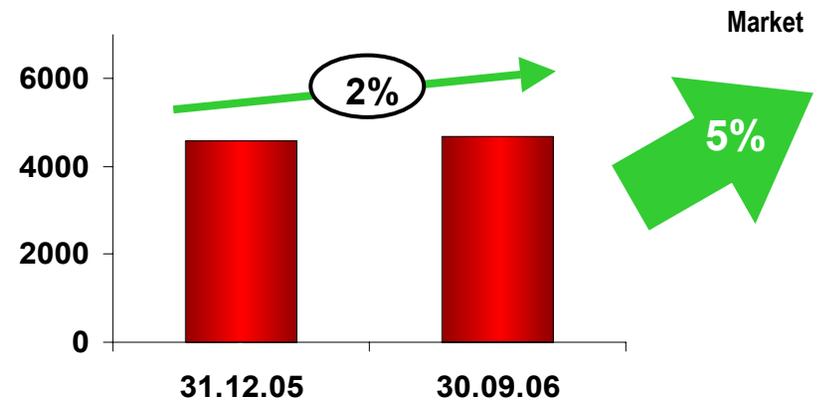
## Non-financial sectors deposits



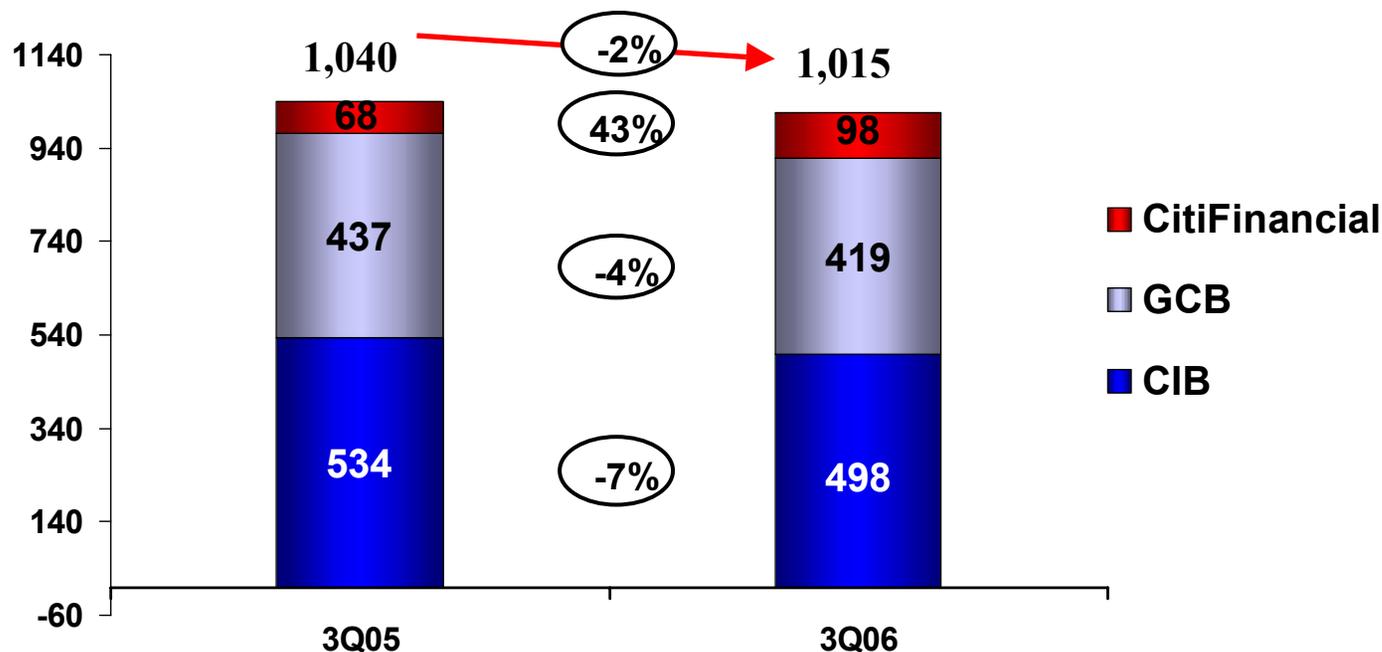
## Non-Financial Corporate deposits



## Individuals' deposits



# Expenses under control



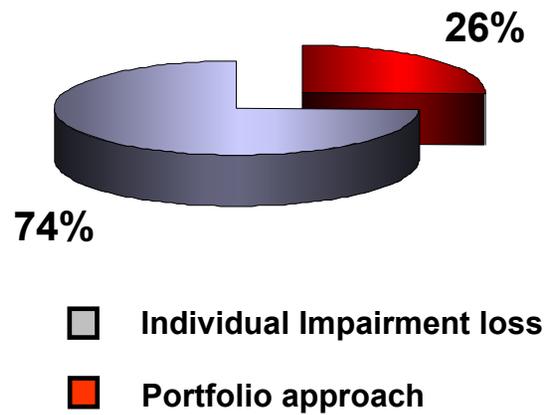
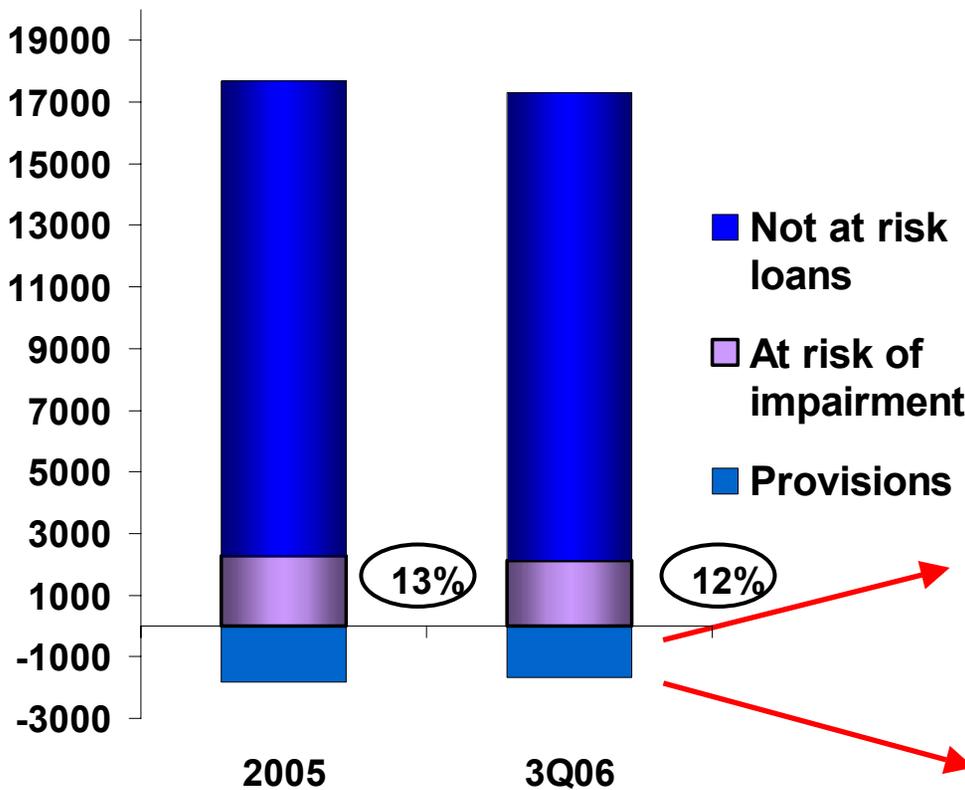
- Corporate segment costs under control, decrease of technology and telecommunication costs
- Positive effects of restructuring actions in retail, even better visible with 12% decrease 3Q06/3Q05
- Further branch network expansion in CitiFinancial

Source: Bank's Financial Disclosures, data in MM PLN

# Cost of Credit

## Loans portfolio quality

## Impairment split as at 30 Sept 2006



▪ Decrease of loans at risk of impairment

	31.12.2005	30.09.06
Provision coverage ratio	81%	80%

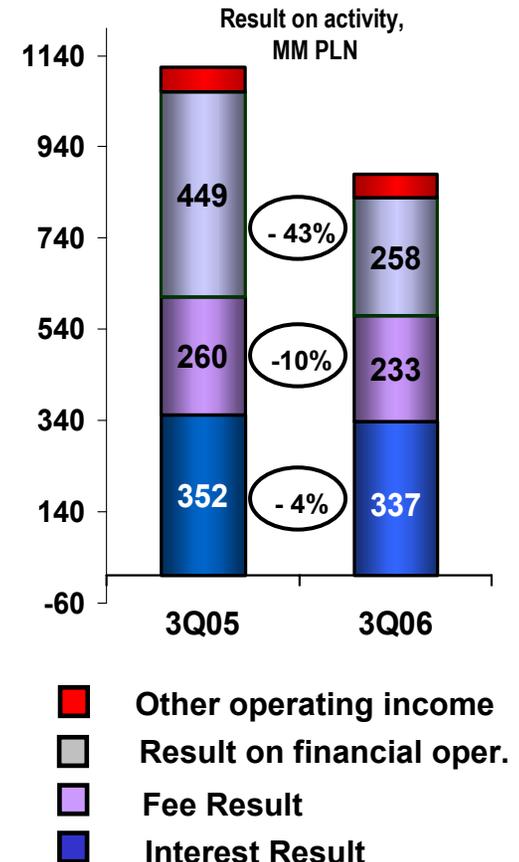
Source: Bank's Financial Disclosures, data pro-forma

# Cumulative 3Q 2006 results

## Corporate and Investment Bank

MM PLN			I/(D)	I/(D)
	3Q06	3Q05		%
Results on activity	887	1,110	(223)	(20%)
One-off events	105	-	105	-
Expenses and depreciation	(570)	(608)	(38)	(6%)
Provisions	73	68	5	7%
<b>Gross profit</b>	<b>495</b>	<b>570</b>	<b>(75)</b>	<b>(13%)</b>
Assets	32,768	28,750	4,019	14%
Liabilities	29,900	25,216	4,684	19%

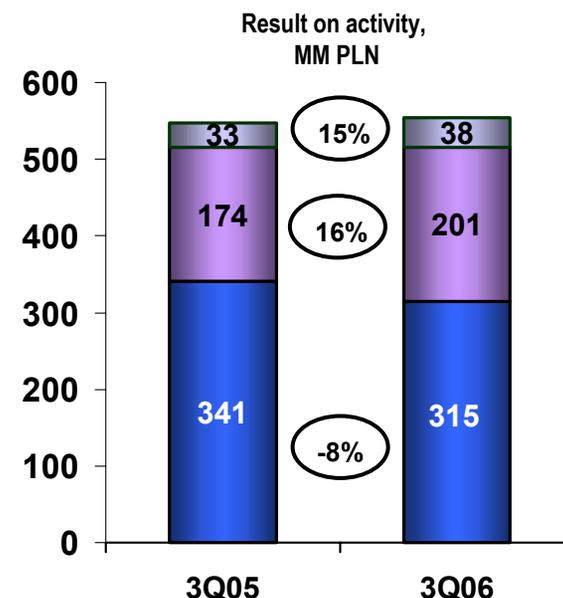
- **Fee income increase on cash products and custody business along with lack of sold HanZa / TFI commissions (PLN 35 MM in cumulative 3Q 2005) and worse result on brokerage operations;**
- **Result on Treasury caused by lower revenues from AFS sell-off due to unfavourable market conditions. Additionally, lower revenues on trading portfolio**



# Cumulative 3Q 2006 results

## Consumer Bank

MM PLN			I/(D)	I (D)
	3Q06	3Q05		%
Results on activity	547	546	1	-
One-off events	20	-	20	-
Expenses and depreciation	(445)	(467)	(22)	(5%)
Provisions	-	(16)	16	n.m.
<b>Gross profit</b>	<b>122</b>	<b>64</b>	<b>59</b>	<b>92%</b>
Assets	2,765	2,289	476	21%
Liabilities	6,194	6,230	(36)	(1%)



- Increase of interest result in 3Q 06 vs 2Q 06 due to assets volume growth
- Increase in fee revenue on investment and insurance products
- Positive results of restructuring actions, even better visible with 12% decrease 3Q06/3Q05

- Result on financial oper.
- Fee Result
- Interest Result

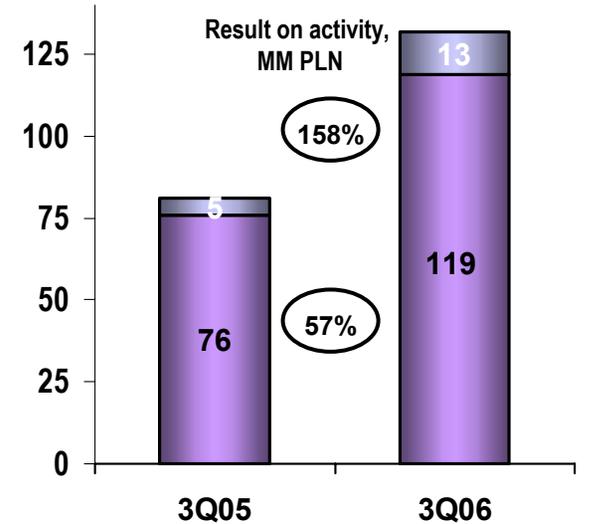
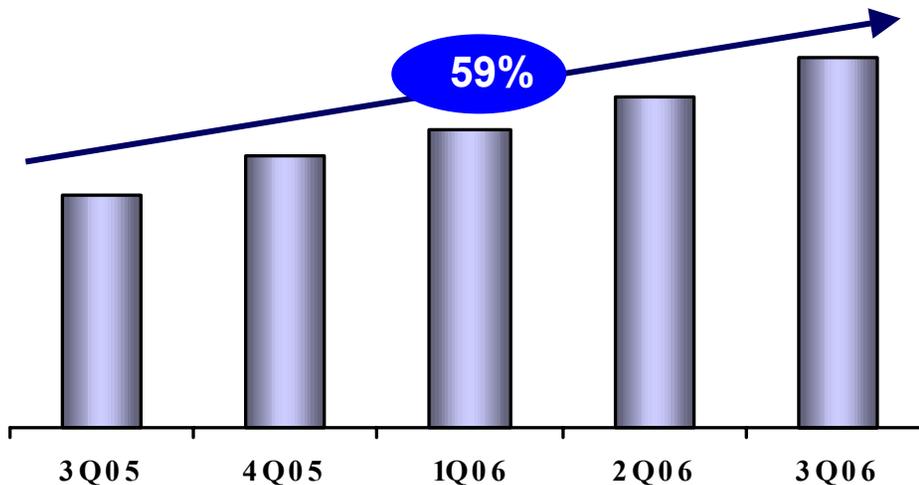
Source: Bank's Financial Disclosures, data in MM PLN

# Cumulative 3Q 2006 results

## CitiFinancial

MM PLN			I/(D)	I (D)
	3Q06	3Q05		%
Results on activity	132	81	51	63%
Expenses and depreciation	(99)	(69)	30	43%
Provisions	(25)	(13)	(12)	95%
<b>Gross profit</b>	<b>8</b>	<b>(1)</b>	<b>9</b>	<b>n.m.</b>
Assets	826	529	297	56%
Liabilities	265	122	143	118%

### Significant increase of cash loans receivables



■ Interest Result    ■ Fee Result

- 57% interest result increase and 158% fee results increase due to significantly larger portfolio
- Further expansion of outlets' network – 9 branches and 2 points of sale in 3Q 06

# Share price / market ratios

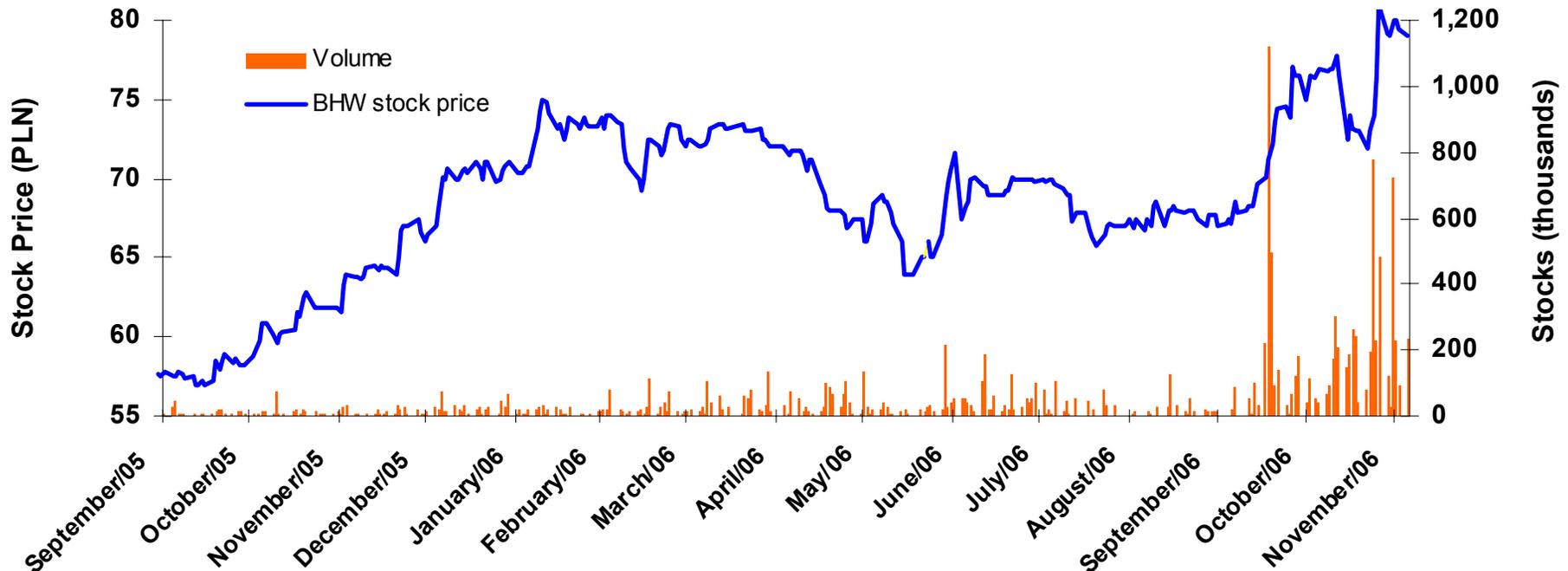
## Market ratios

Market capitalization:

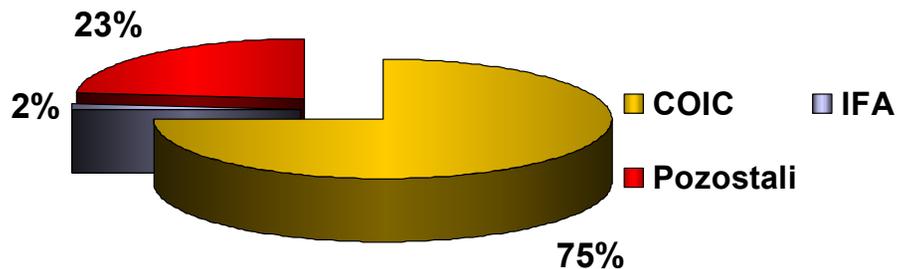
PLN 10.3 bn (\$ 3.6 bn)

P/E 17.03 (banking sector average: 21.6)

P/BV 2.02 (banking sector average: 3.8)



## Current shareholders structure



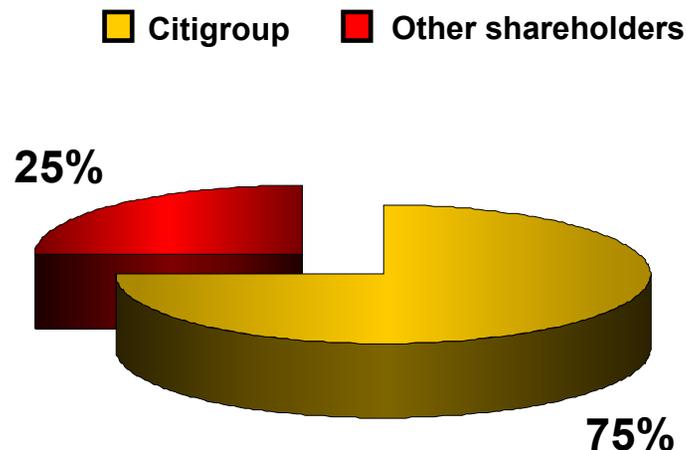
As at 8 Dec, 2006

- 10.2 pp higher free-float as compared to the end of 2Q 06
- 12.7 pp out of 14.33% BHW shares available for exchange has been converted

**Current total free float: \$ 835 MM**

## Shareholders changes

- 2004: Citibank N.A. issued \$ 437 MM notes exchangeable to Citibank Handlowy shares, shares transfer to IFA, (voting right limited to 75%)
- 2006: Notes were exchanged till December 1 (on Dec 7 notes were redeemed)



**Total potential free float at the year end: \$ 890 MM**

**Sławomir Sikora**

*President of the Management Board*

**Lidia Jabłonowska-Luba**

*Management Board Member, CFO*

**Katarzyna Otko-Dąbrowska**

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