

Transformation of the consumer banking distribution system and operating efficiency improvement

October 22, 2013

Continued execution of the strategy

Strategic Directions for 2012-2015

- Transformation of the distribution system
- Focus on affluent (Gold) and emerging affluent (Forward) segments
- Continued focus on asset products (credit cards and cash loans available for everyone)

Reengineering of the operating model to improve efficiency in the changing macro, regulatory and market environment

- Headcount reduction (up to 792 employee contracts, incl. 684 in consumer banking, to be terminated by October 31, 2014)
- PLN 62.3 MM restructuring charge to be recognized in Q4 2013 results
- Target consumer banking C/I < 60% in 2016

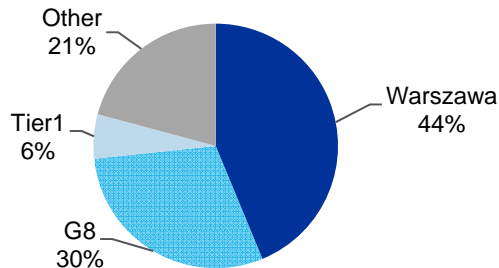
Transformation towards a Smart Banking Ecosystem following changes in customers' behavior and dynamic growth of new technologies

- Transformation of traditional branches into **modern outlets**
- Change of the **coverage model in small cities** from branch-based to multi-channel
- Continued **digital evolution**: offload, x-sell, straight thru processing
- Enhanced **multi-channel acquisition approach**: central cross-sell team, CBAW, DSA, digital
- **Productivity improvement**:
 - Move to better locations (hot spot)
 - Targeted marketing / perceptual scale
 - Staffing model – increase sales staff, decrease of tellers; offload actions, attractive self-service tools for the customers in the branch
- **Continued focus on relationships with emerging affluent and affluent customers** (launch globality, enhance advisory)

Transformation towards a Smart Banking Ecosystem

Hot spot analysis for Poland

Transactions share (value) – Gold and Forward segments



- Hot spots are places where customers spend their time, go shopping or work
- **Hot spots with potential for Smart branches identified in G9**
- Limited potential for hot spots and Smart investments viability outside of G9

Smart Banking Ecosystem

- The future of banking where the branch is an engaging, interactive and intelligent environment located in places most frequently visited by customers – target **focus** on most attractive **Hot Spots in selected top cities**
- A high-tech-enabled location allowing customers to bank at any time and in any place using the state-of-the-art mobile and online tools
- Expansion of **self-service outlets** and **Digital Engagement**
- Right-size branch formats and "High Street" retailing capabilities
- [First smart branch opened in Katowice in September](#)



Transformation details

- Transformation of traditional branches into **modern outlets**
 - **25 Smart branches** to be operating in the largest Polish agglomerations by 2014
- Change of the **coverage model in small cities** from branch-based to multi-channel:
 - closure of 19 traditional branches located outside of the key target markets (**we retained 95% of customers from outlets closed in 2012**)
 - customer sales & service outside of key target markets to be provided through central sales unit, CitiPhone and Internet & mobile platforms

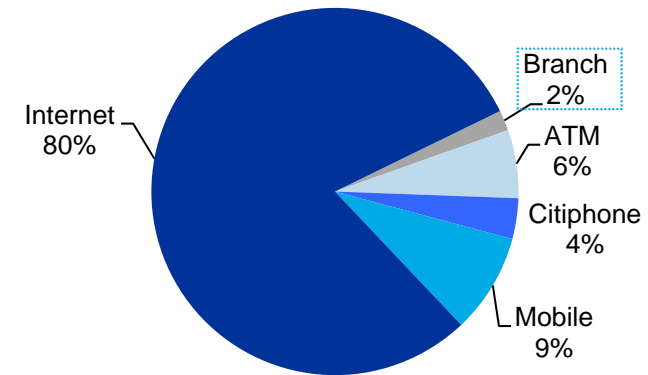
Digitization following changes in customer behavior

Retail Banking Channel Interactions 2016 Estimated

Mobile	20-30 times per month
Web/Tablet	7-10 times per month
ATM	3 - 5 times per month
Call center	5 - 10 times per month
Branch	1-2 times per year

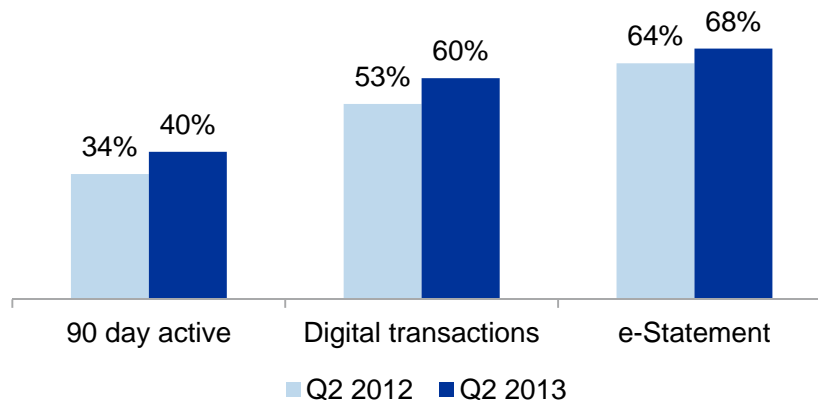
Source: Banking 3.0 by Brett King, 2013

Structure of customer transactions in Citi Handlowy June 2013



Digital transformation in Citi Handlowy

Growing digital



Growing Citi Mobile

- 143 thousand Citi Mobile users (+68% YoY)
- ~30% penetration of customer current accounts vs. 7% penetration on the market
- 68% YoY growth of the number of transactions conducted via Citi Mobile
- Unique functionalities: FotoKasa, geolocator of discounts available for Citi credit cards all over the world

Note: Data for Q2 2013 unless otherwise stated

Smart Banking Ecosystem

Competitive advantage with new model of banking

