



Bank Handlowy w Warszawie S.A. 2015 consolidated financial results

February 17, 2016

www.citihandlowy.pl

Bank Handlowy w Warszawie S.A.

citi handlowy[®]

2015 Summary



Stability, sustainability and growth

- **PLN 626 MM** net profit reflecting challenging market environment
- Strong capital position: Tier 1 = **17.1%**, banking sector = **14.3%** (as of the end of 3Q'15)
- Stable liquidity position: L/D = **61%**, banking sector = **103%**
- High assets quality: NPL = **3.2%**, banking sector = **6.4%**
- Declaration of **dividend payout** for 2015 maintained



Goals completed:

- Customer assets build-up clients assets according to previous declarations: institutional loans from non-financial sector **+9% YoY**, retail loans **+5% YoY**
- High level of Bank efficiency – ROTE, ROE and ROA ratios above sector level
- Efficient cost management, improvement by **14% YoY** (excl. SK Bank related cost and additional contribution to BGF)



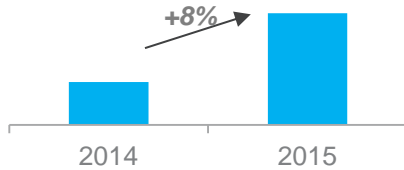
Improvement in key areas

- Further development of **SMART** network **+5 YoY** (number of branches)
- Unsecured loan sales via remote channels: **+125% YoY** via phone and **+10% YoY** via internet
- Growth in affluent clients group: **Citigold Private Client +12% YoY**, **CitiPriority +8% YoY**, **CitiGold +2% YoY**.
- Increase of **Emerging Market Champions** program participants number: Citi Handlowy supports **57 (+21% YoY)** Polish firms investing abroad
- Maintaining market leader position in of **credit cards: 18%** of credit card loans volume
- Participation in **largest market transactions: 6** syndicated loans, **5** bond issuance programs

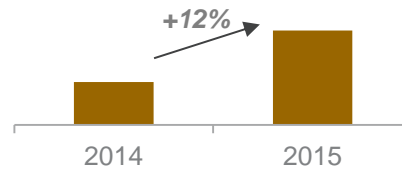
Retail Banking

Development of offer for strategic clients

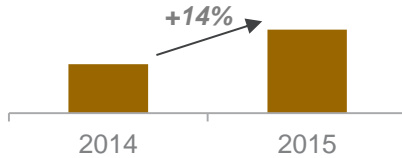
CitiPriority clients #



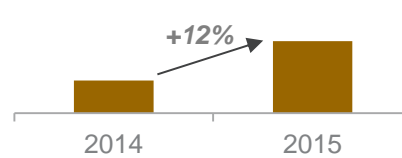
CPC clients #



Investment products balance growth



Citigold/CPC Client assets



#Cloud & #Smart increasing importance in sales

- **#Smart: First 100% online sale application in Poland**
 - 69% of request for credit cards proceeded in application
 - 2016: The application will be developed by request for bank account opening and cash loans
- **+161% YoY** sale of unsecured loans in #Smart
- **62%** more #Smart clients decided on CitiPriority
- **63%** more clients decided on credit card in #Smart

More than 70 mobile advisors

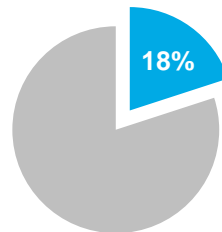
16 #Smart branches

Increasing #Smart branches share in sale

Credit cards leader

- Card sale process automation – services 65% of direct sale
- 65% of new credit cards are: CitiSimplicity

Q4'15 Credit card loans volume market share



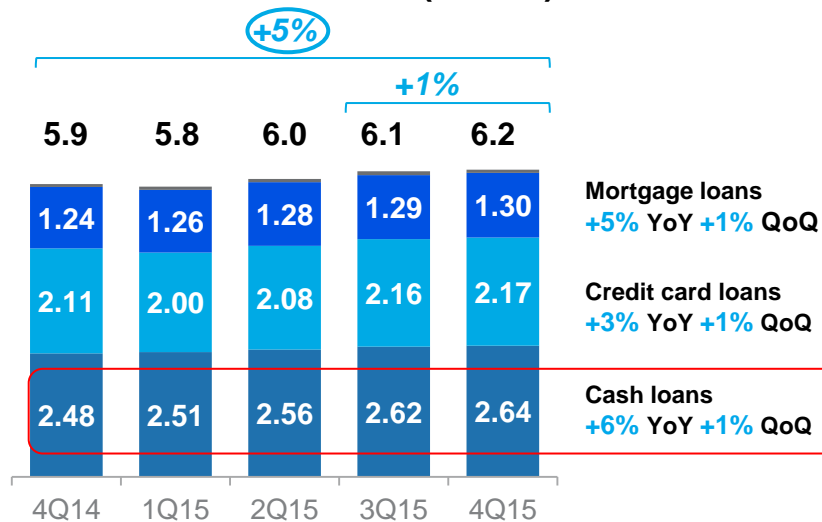
Citi Mobile – success of the new application



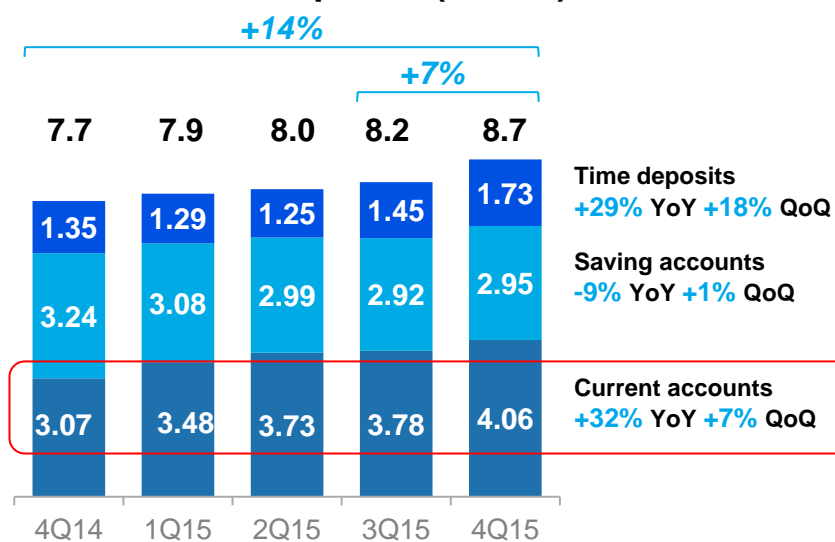
- Application for iPhone assessment: ★★★★★
- Every second active user of Citi Mobile launched unique on Polish market Snapshot function
- More than 50% more logons via Citi Mobile since launch of the new version (November 2015)

Retail Banking – financial results & volumes

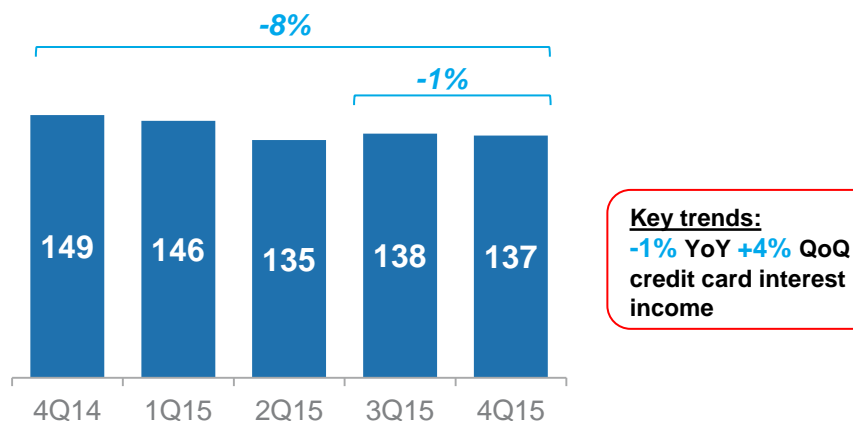
Loans (PLN B)



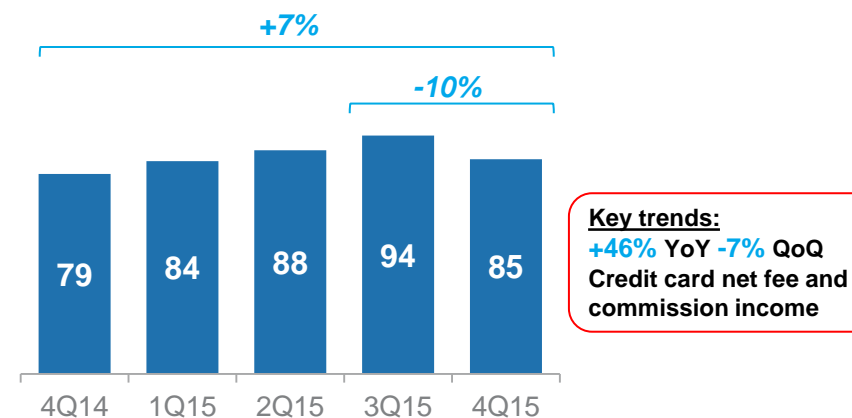
Deposits (PLN B)



Net interest income (PLN MM)



Net fee & commission income (PLN MM)



Institutional Banking – leader in strategic areas

Active approach to customers

Utilization of high liquidity of Citi Handlowy

ca. **PLN 1.5 B** loans granted to Polish blue-chip companies, including:



Syndicated loan
PLN 350 MM – Bank's share

High activity on corporate bonds market, including:



PLN 6.3 B
Bond issuance program

Utilization of Citi global experience

Leasing portfolio securitization

Co-organizers – Citi Handlowy and Citigroup Global Markets Ltd.

Promotion of companies, significantly influencing Polish economy



Nagrada Emerging Market Champions
citi handlowy

Transactional Banking

Strategic focus on relationship banking

Operating accounts

+21% YoY
balance

Build –up of long-term relationships with client and his environment

Supplier financing program

+25% YoY
assets

Business development

Trade receivable

+7% YoY
balance

Foreign payments

+6% YoY
volume

Confirmation of leading position in transactional banking



Financial markets

#1 among Treasury Securities Dealers for the fourth consecutive time

in the contest of Ministry of Finance



To act as

Treasury Securities Dealer

Maintaining of **leading position** in custody

1

43%
Market share

Key transactions on capital market in 2015

TVN S.A.
PLN 3.1 B

Bogdanka S.A.
PLN 1.5 B

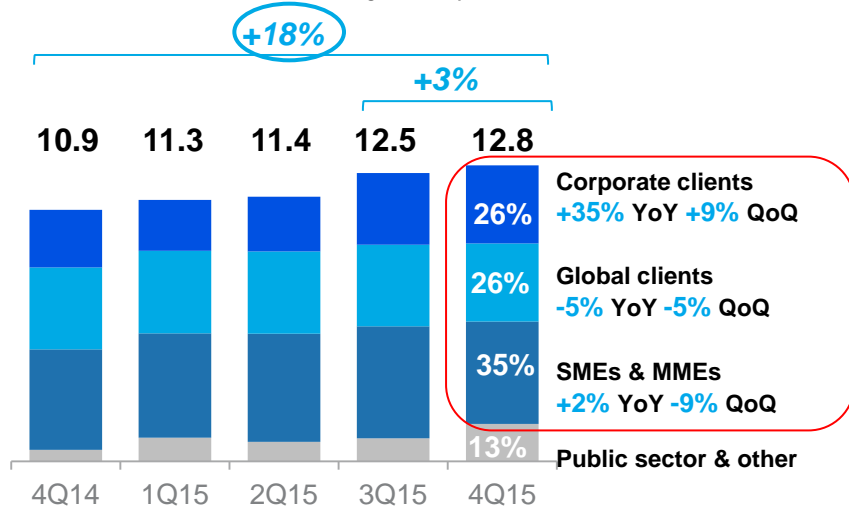
Alior Bank S.A.
PLN 163.8 MM

BZ WBK S.A.
PLN 172.1 MM

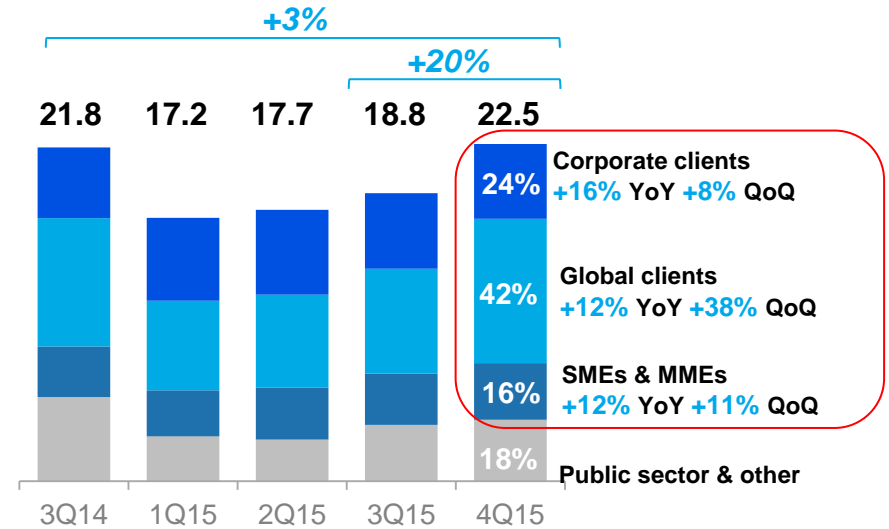
Institutional banking – financial results & volumes

Loans (PLN B)

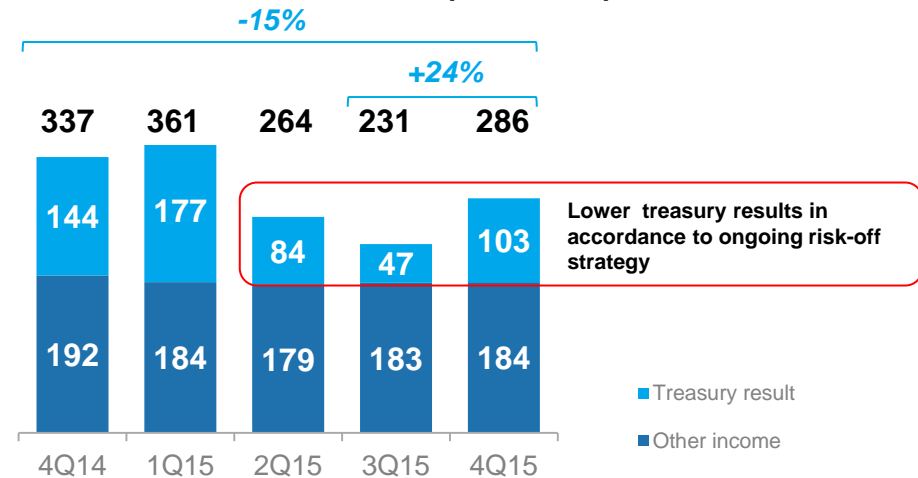
Including reverse repo transactions



Deposits (PLN B)

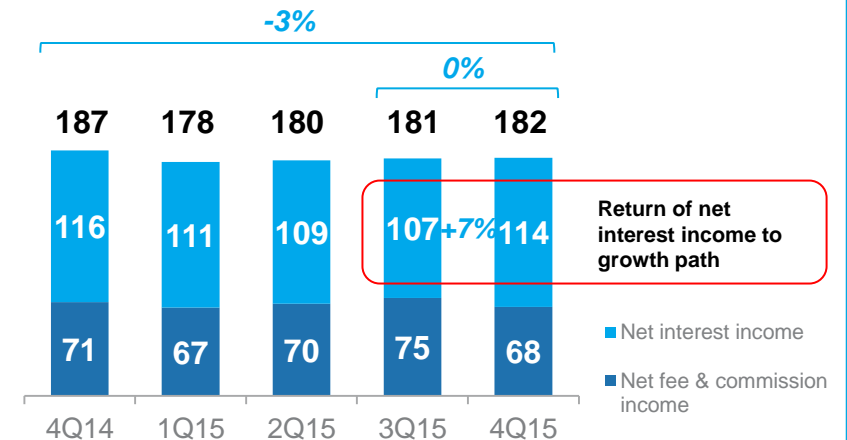


Revenues (PLN MM)



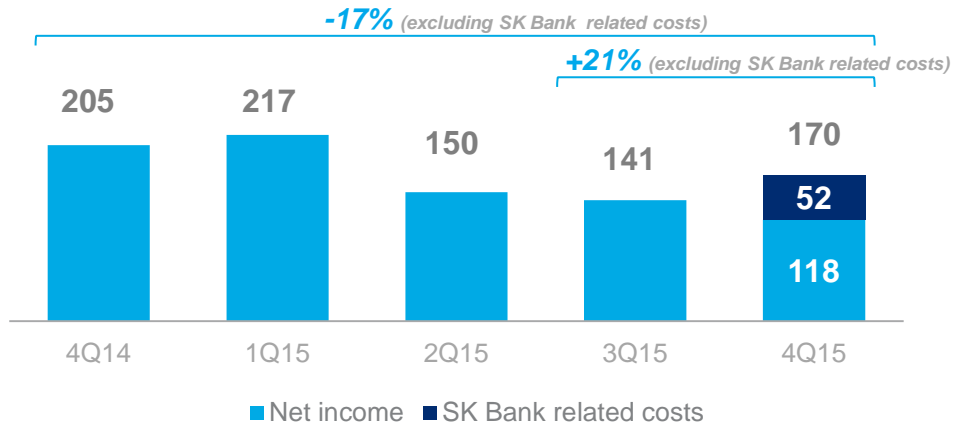
Net interest, net fee & commission income (PLN MM)

excl. hedge accounting

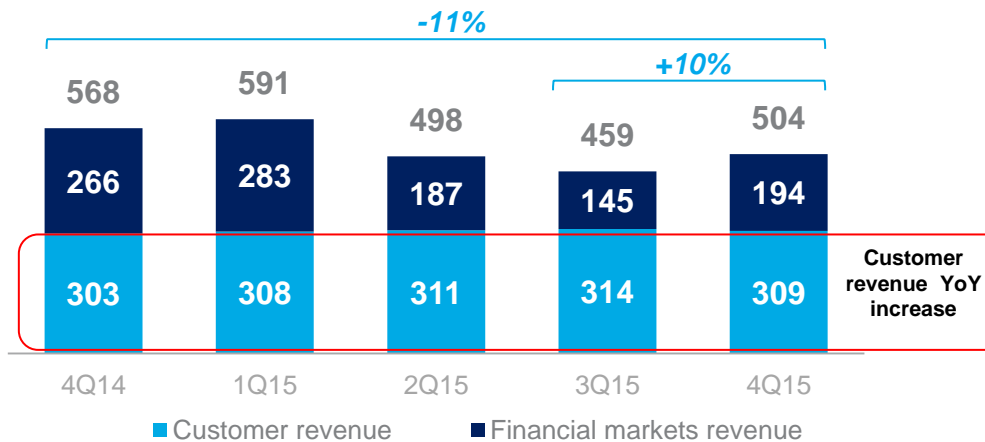


Net income and revenue

Net income (PLN MM)



Revenue (PLN MM)



2015 Key financial ratios

	Bank*	Sector
ROA	1.3%	0.7%
ROTE	12.5%	6.9%
ROE	10.0%	6.8%
Loans/Deposits	61%	103%
Tier 1**	17.1%	14.3%
NPL	3.2%	6.4%

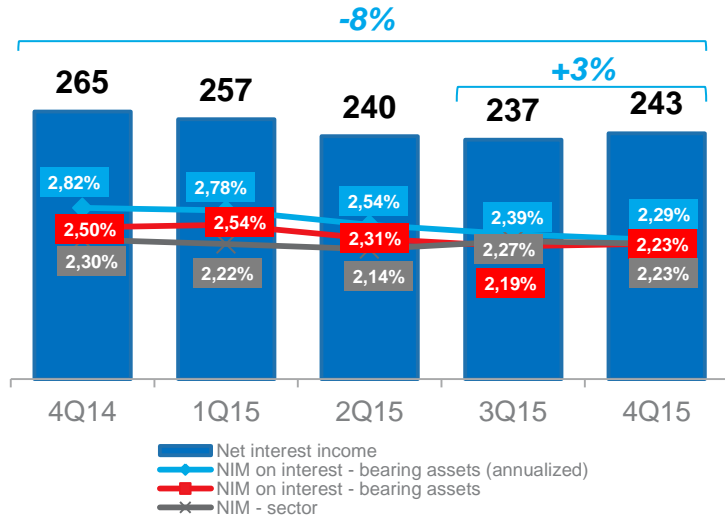
* Ratios calculated on the base of consolidated net profit

** Tier1 ratio for sector as of September 2015 (no data for December 2015)

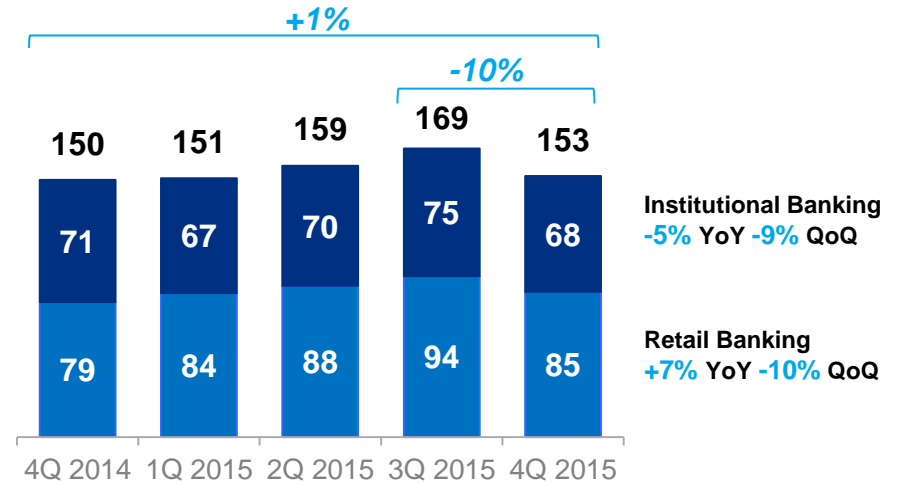
Key efficiency and safety ratios better than in the banking sector

Total revenue split

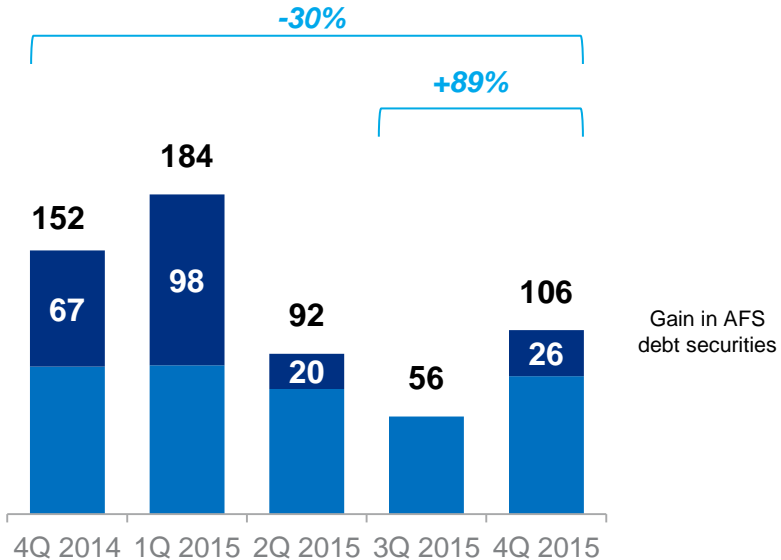
Net interest income (PLN MM)



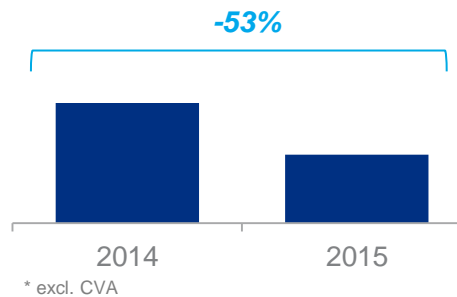
Net fee & commission income (PLN MM)



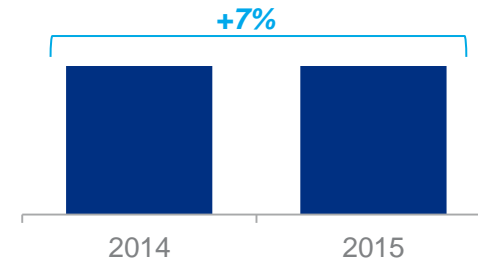
Treasury result (PLN MM)



Result on interbank market operations*



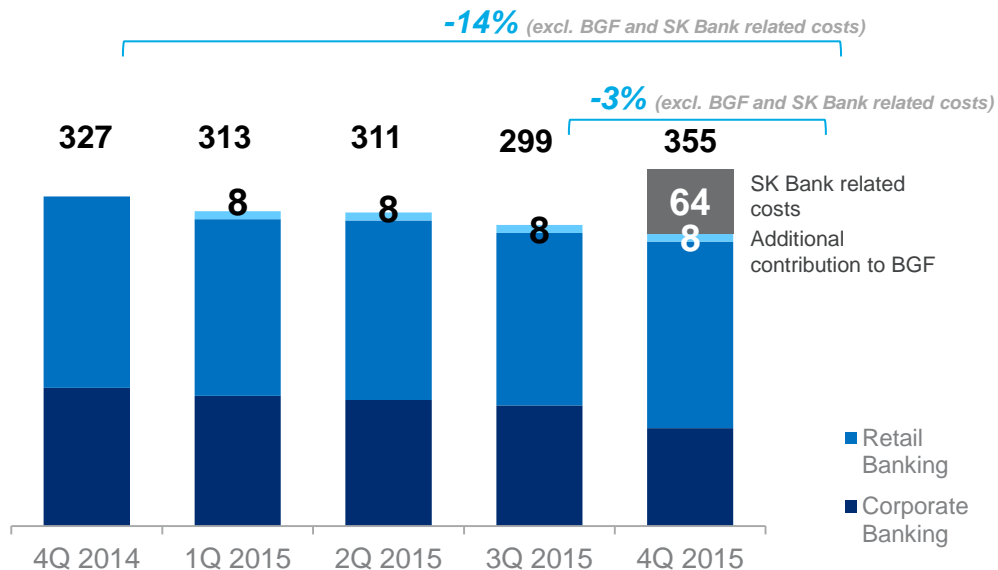
Result on client operations



Note: The scales on the graphs are not comparable.

Operating expenses and cost of credit

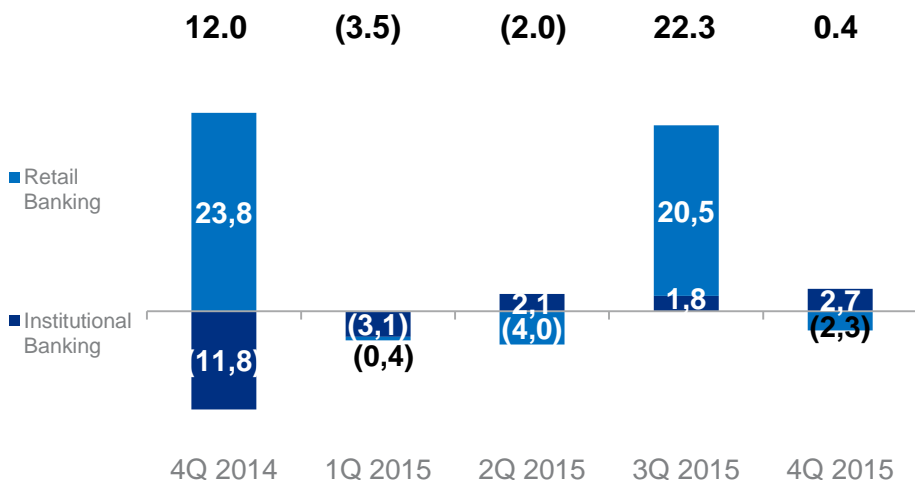
Operational expenses and amortization (PLN MM)



Comments (year over year changes):

- **Decrease in Bank's expenses** (excluding SK bank related costs and higher contribution to BGF) mainly due to lower staff costs and spending on cooperation with selected external partners.
- **Cost / Income** ratio at **56%** for 4Q15 (excl. SK Bank related costs and higher contribution to BGF) vs. **58%** for 4Q14.

Net impairment result (PLN MM)

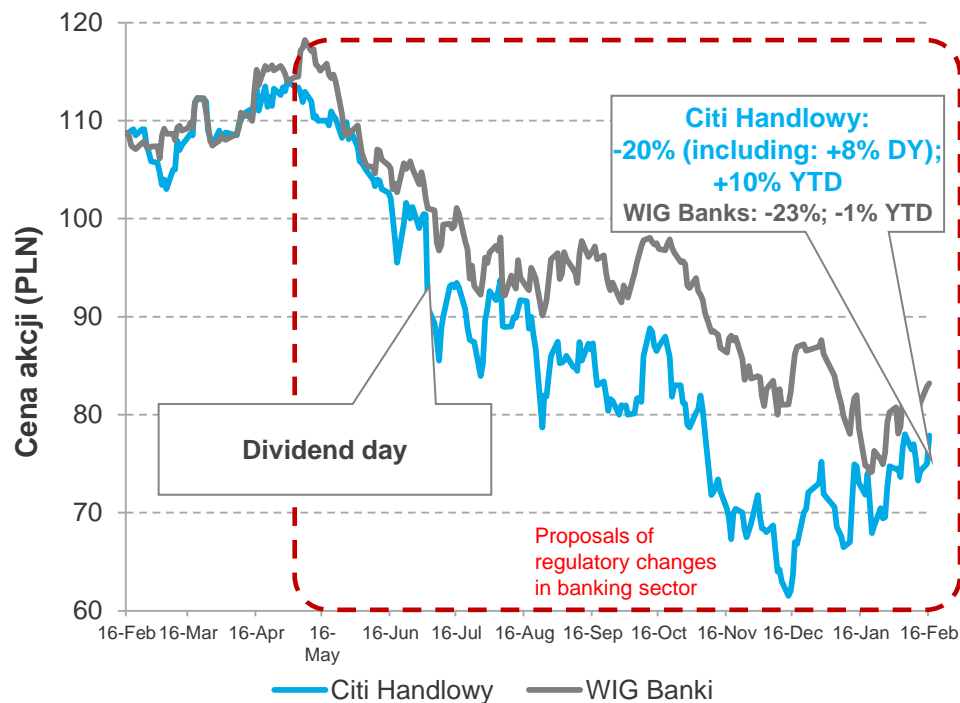


Comments (year over year changes):

- Bank's cost of risk below banking sector level
- Maintaining low level of non-performing loans ratio (**NPL**)
- **Provision coverage ratio** better than in sector

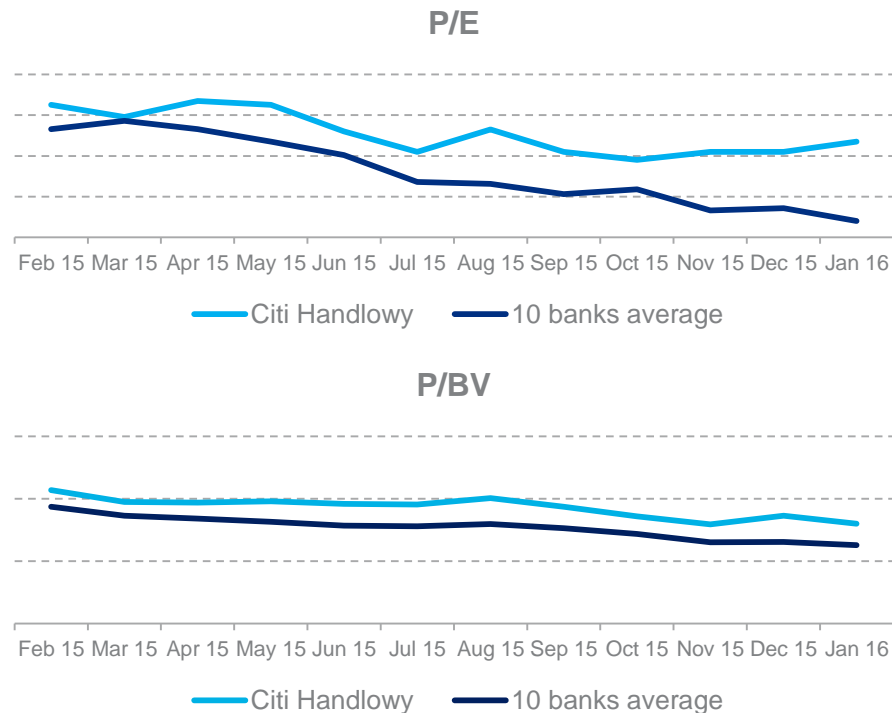
Change in Bank's share price

Citi Handlowy share price vs. WIG Banks index



Note: Last quotation from February 16th., 2016 (Citi Handlowy: PLN 77.87)

P/E & P/BV ratios in 12M horizon



Source: WSE, own calculations

Dividends paid by Citi Handlowy (2009-2014)

	2009	2010	2011	2012	2013	2014
Dividend payout ratio	94%	100%	50%	75%	100%	100%
Dividend yield	7.1%	7.1%	3.3%	7.1%	7.0%	7.4%

Forecasts for 2016

Macroeconomic environment

	2015	2016F
Real GDP (% YoY)	3.6	3.3
Investments (% YoY)	6.1	3.5
Private consumption (% YoY)	3.1	4.1
Exports (% YoY)	5.6	4.7
Imports (% YoY)	4.7	5.5
CPI (% YoY)	-0.9	0.2
Unemployment rate (%)	9.9	9.0
Reference rate (%)	1.50	1.50
10Y Treasury Bond Yield	2.60	3.30

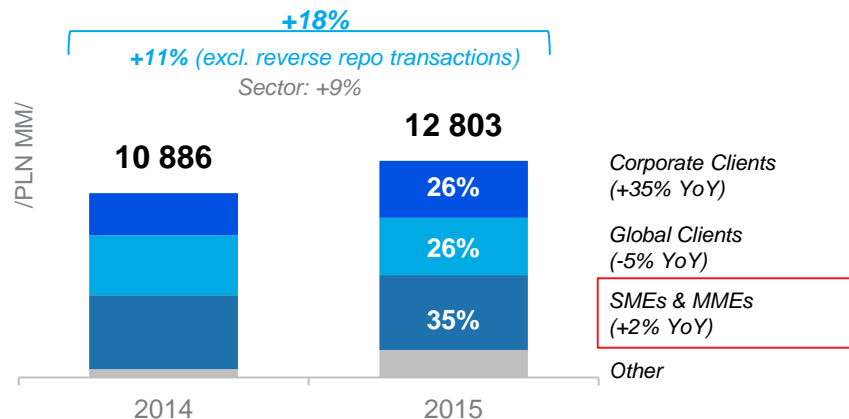
- Slightly lower economic growth dynamics in 2016
- Economy will receive additional support in the form of substantial transfers to households
- As a result private consumption may grow at a very fast pace but it will not protect investments from slowdown
- Reference rate cuts still possible
- Persistent improvement on the labor market

Source: Citi Handlowy

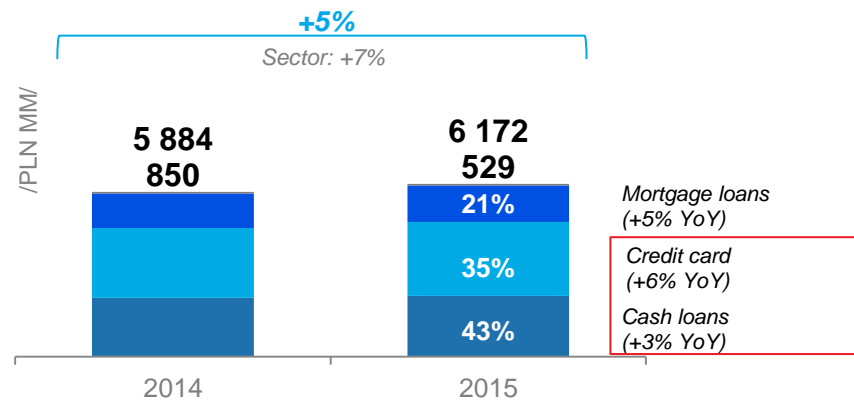
Appendix

Customer volumes

Institutional non-banking customers' loans

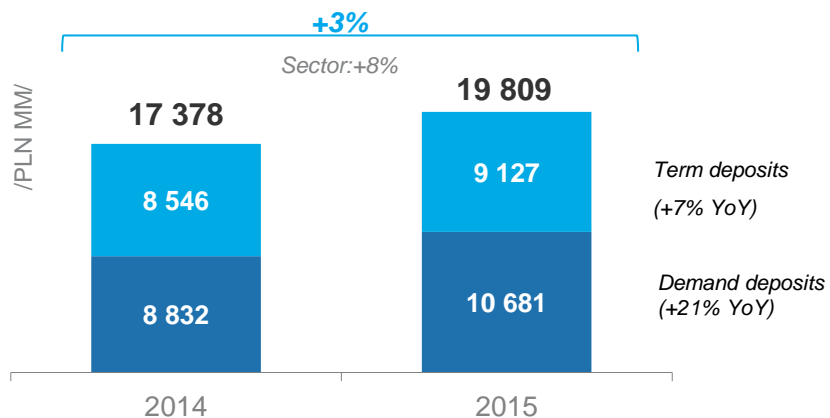


Individual customers' loans



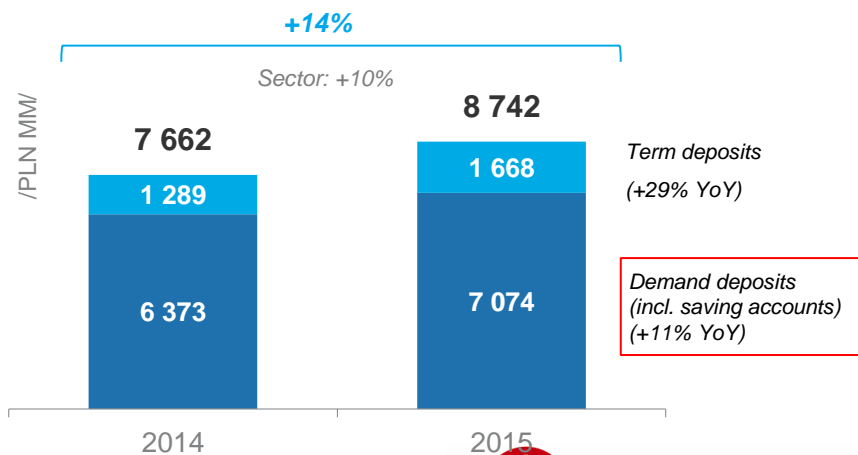
**Loans/Deposits
61%**

Institutional non-banking customers' deposits



Note: Excluding public sector deposits

Individual customers' deposits



Income statement - Bank

PLN MM	4Q14	1Q15	2Q15	3Q15	4Q15	4Q15 vs. 3Q15		4Q15 vs. 4Q14	
						PLN MM	%	PLN MM	%
Net interest income	265	257	240	237	243	6	3%	(21)	(8%)
Interest income	336	310	290	293	311	18	6%	(24)	(7%)
Interest expenses	(71)	(53)	(50)	(57)	(96)	(40)	70%	(25)	36%
Net fee and commission income	150	151	159	169	153	(16)	(10%)	2	1%
Dividend income	0	-	7	0	0	(0)	(75%)	0	4000%
Gains on AFS debt securities	67	98	20	-	26	26	-	(40)	(60%)
FX and professional market	85	86	72	56	79	23	42%	(5)	(6%)
Hedge accounting	-	-	1	4	3	(2)	(36%)	3	-
Treasury	152	184	93	60	109	48	80%	(43)	(28%)
Net gain on equity investment instruments	3	-	-	2	-	(2)	(100%)	(3)	(100%)
Net other operating income	(1)	(1)	(1)	(9)	(1)	8	(91%)	0	(36%)
Revenue	568	591	498	459	504	44	10%	(65)	(11%)
Expenses	(310)	(295)	(294)	(282)	(337)	(56)	20%	(27)	9%
Depreciation	(18)	(18)	(18)	(18)	(18)	0	(1%)	(0)	0%
Expenses and depreciation	(327)	(313)	(311)	(299)	(355)	(55)	19%	(27)	8%
Operating margin	241	278	186	160	149	(11)	(7%)	(92)	(38%)
Profit/(loss) on sale of tangible fixed assets	5	0	0	0	0	0	300%	(5)	(100%)
Net impairment losses	12	(4)	(2)	22	0	(22)	(98%)	(12)	(97%)
Share in profits / (losses) of entities valued at the equity method	(0)	0	0	0	(0)	(0)	-	0	(88%)
EBIT	258	275	184	183	149	(33)	(18%)	(109)	(42%)
Corporate income tax	(53)	(58)	(34)	(42)	(31)	11	(26%)	22	(42%)
Net profit	205	217	150	141	118	(23)	(16%)	(87)	(42%)
C/I ratio	58%	53%	63%	65%	70%				

Institutional Banking – income statement

PLN MM	4Q14	1Q15	2Q15	3Q15	4Q15	4Q15 vs. 3Q15		4Q15 vs. 4Q14	
						PLN MM	%	PLN MM	%
Net interest income	116	116	111	98	106	8	8%	(10)	(8%)
Interest income	168	168	151	145	163	18	13%	(5)	(3%)
Interest expenses	(52)	(52)	(40)	(46)	(85)	(39)	84%	(33)	64%
Net fee and commission income	71	71	67	75	68	(7)	(9%)	(4)	(5%)
Dividend income	0	0	-	0	0	(0)	(75%)	0	4000%
Gains on AFS debt securities	67	67	98	-	26	26	-	(40)	(60%)
FX and professional market	77	77	78	47	76	29	61%	(1)	(2%)
Hedge accounting	-	-	-	4	3	(2)	(36%)	3	-
Treasury	144	144	177	52	105	54	104%	(39)	(27%)
Net gain on equity investment instruments	3	3	-	2	-	(2)	(100%)	(3)	(100%)
Net other operating income	2	2	5	3	7	4	108%	5	247%
Revenue	337	337	361	231	286	56	24%	(50)	(15%)
Expenses	(131)	(131)	(131)	(122)	(164)	(42)	34%	(32)	25%
Depreciation	(6)	(6)	(6)	(6)	(6)	0	(2%)	0	(5%)
Expenses and depreciation	(137)	(137)	(137)	(128)	(169)	(41)	32%	(32)	23%
Operating margin	199	199	223	103	117	14	14%	(82)	(41%)
Profit/(loss) on sale of tangible fixed assets	0	0	0	0	0	0	41%	0	1100%
Net impairment losses	(12)	(12)	(3)	2	3	1	47%	14	-
Share in profits / (losses) of entities valued at the equity method	(0)	(0)	0	0	(0)	(0)	-	0	(88%)
EBIT	187	187	220	105	120	15	15%	(67)	(36%)
C/I ratio	41%	41%	38%	55%	59%				

Retail Banking – income statement

PLN MM	4Q14	1Q15	2Q15	3Q15	4Q15	4Q15 vs. 3Q15		4Q15 vs. 4Q14	
						PLN MM	%	PLN MM	%
Net interest income	149	146	135	138	137	(1)	(1%)	(12)	(8%)
Interest income	168	159	145	149	148	(0)	(0%)	(20)	(12%)
Interest expenses	(19)	(13)	(11)	(10)	(11)	(1)	7%	8	(42%)
Net fee and commission income	79	84	88	94	85	(9)	(10%)	6	7%
Dividend income	-	-	6	-	-	-	-	-	-
FX and professional market	8	7	8	9	3	(6)	(63%)	(4)	(58%)
Net other operating income	(3)	(7)	(3)	(12)	(8)	4	(34%)	(5)	139%
Revenue	232	230	234	229	217	(12)	(5%)	(15)	(6%)
Expenses	(179)	(164)	(167)	(160)	(174)	(14)	9%	5	(3%)
Depreciation	(12)	(12)	(12)	(12)	(12)	0	(0%)	(0)	3%
Expenses and depreciation	(190)	(176)	(178)	(171)	(185)	(14)	8%	5	(2%)
Operating margin	42	55	56	57	32	(26)	(45%)	(10)	(24%)
Net impairment losses	24	(0)	(4)	21	(2)	(23)	-	(26)	-
EBIT	71	54	52	78	29	(49)	(62%)	(42)	(59%)
C/I ratio	82%	76%	76%	75%	85%				

Balance Sheet

PLN B	End of period					4Q15 vs. 3Q15		4Q15 vs. 4Q14	
	4Q14	1Q15	2Q15	3Q15	4Q15	PLN B	%	PLN B	%
Cash and balances with the Central Bank	1,5	0,7	5,3	1,3	2,2	0,9	66%	0,6	43%
Amounts due from banks	2,1	2,0	3,6	1,4	0,8	(0,6)	(45%)	(1,3)	(63%)
Financial assets held-for-trading	12,7	13,7	9,6	8,5	7,0	(1,5)	(18%)	(5,7)	(45%)
Debt securities available-for-sale	14,4	11,2	13,2	17,4	18,4	0,9	5%	3,9	27%
Customer loans	16,8	17,1	17,4	18,6	19,0	0,4	2%	2,2	13%
Financial sector entities	1,0	1,4	1,0	1,1	2,0	0,9	81%	1,0	99%
including reverse repo receivables	0,6	0,9	0,6	0,7	1,4	0,7	106%	0,8	126%
Non-financial sector entities	15,7	15,8	16,4	17,5	16,9	(0,5)	(3%)	1,2	8%
Institutional Banking	9,9	9,9	10,4	11,3	10,8	(0,6)	(5%)	0,9	9%
Consumer Banking	5,9	5,8	6,0	6,1	6,2	0,0	1%	0,3	5%
Unsecured receivables	4,6	4,6	4,7	4,9	4,9	0,0	0%	0,2	5%
Credit cards	2,1	2,0	2,1	2,2	2,2	0,0	1%	0,1	3%
Cash loans	2,5	2,5	2,6	2,6	2,6	0,0	1%	0,2	6%
Other unsecured receivables	0,1	0,1	0,1	0,1	0,1	(0,0)	(16%)	0,0	4%
Mortgage	1,2	1,3	1,3	1,3	1,3	0,0	1%	0,1	5%
Other assets	2,3	2,5	2,5	2,6	2,3	(0,3)	(11%)	(0,1)	(3%)
Total assets	49,8	47,2	51,7	49,8	49,5	(0,3)	(1%)	(0,3)	(1%)
Liabilities due to banks	5,1	4,7	9,5	8,6	7,0	(1,6)	(19%)	1,8	36%
Financial liabilities held-for-trading	6,8	7,3	7,6	6,1	3,2	(2,8)	(47%)	(3,5)	(52%)
Financial liabilities due to customers	29,6	26,1	26,1	27,1	31,6	4,5	16%	2,0	7%
Financial sector entities - deposits	3,1	3,2	3,4	3,3	3,4	0,1	2%	0,3	9%
Non-financial sector entities - deposits	26,4	21,9	22,3	23,7	27,9	4,2	18%	1,5	6%
Institutional Banking	18,7	14,0	14,3	15,5	19,2	3,6	23%	0,4	2%
Consumer Banking	7,7	7,9	8,0	8,2	8,7	0,6	7%	1,1	14%
Other financial liabilities	0,7	0,1	1,0	1,0	0,3	(0,7)	(67%)	(0,4)	(52%)
Other liabilities	0,9	1,5	2,0	1,3	0,9	(0,4)	(34%)	(0,0)	(5%)
Total liabilities	42,4	39,6	45,1	43,1	42,7	(0,4)	(1%)	0,2	1%
Equity	7,4	7,6	6,6	6,7	6,9	0,1	2%	(0,6)	(8%)
Total liabilities & equity	49,8	47,2	51,7	49,8	49,5	(0,3)	(1%)	(0,3)	(1%)
Loans / Deposits ratio	60%	72%	74%	74%	61%				
Capital Adequacy Ratio	17,5%	17,7%	16,6%	16,2%	17,1%				
NPL*	4,9%	4,7%	4,7%	3,9%	3,2%				

*as reported, incl. reverse repo