



150 years
of progress

Bank Handlowy w Warszawie S.A. Consolidated financial results for 1Q 2020

May 14, 2020

www.citihandlowy.pl
Bank Handlowy w Warszawie S.A.

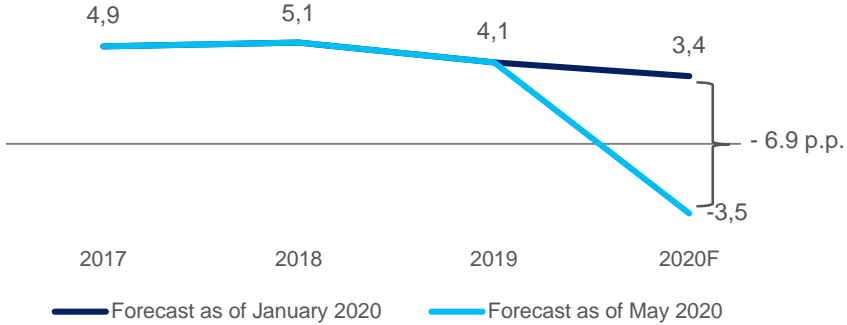
citi handlowy[®]

Bank activity in the face of COVID-19 pandemic

150 years
of progress

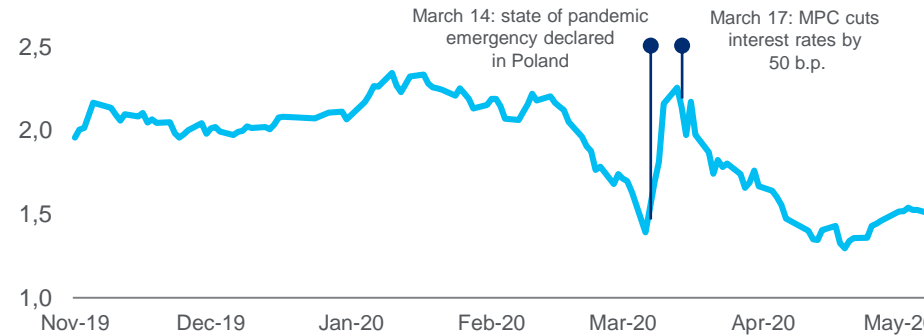
Macroeconomic environment – new reality

GDP* forecasts (% YoY)

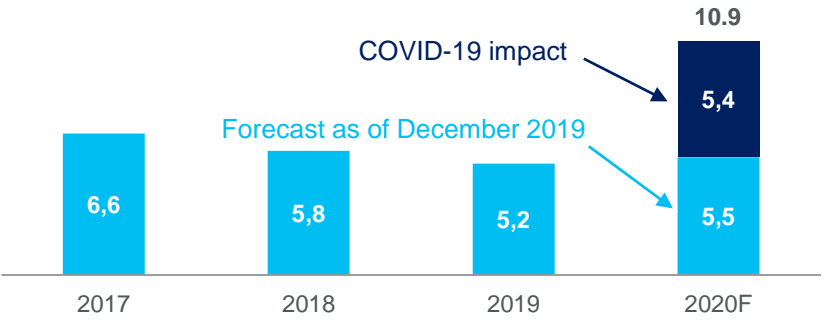


* PAP consensus

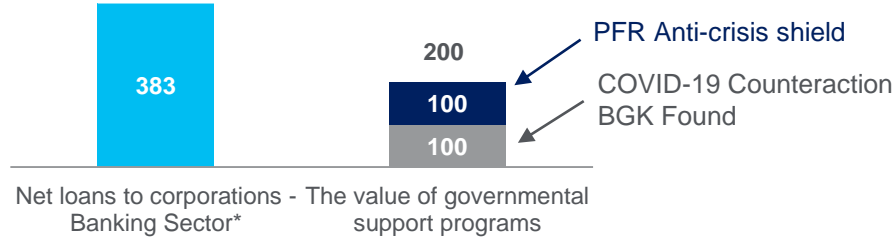
Bonds yield 10PL



Unemployment rate (%)



Volumes (PLN B)



* Loans to corporates as end of 2019, Source NBP

Stable Bank for difficult times

Safety

- **Tier1 capital surplus** 8.2 p.p. above regulatory requirements;
- **High liquidity:** L/D rate at 54%, significantly better than the banking sector average;
- **Record high growth of customer deposits:** PLN +6 B QoQ and PLN +10 B YoY

Strategic areas of growth

FX markets

- Institutional Clients: highest FX volume in March for last 6 years: **+43% March/February**;
- Retail Customers: record high FX volume in March: **+139% March/February**.

Capital markets

- Retail Clients transactions number on WSE: **+95% March/February**.



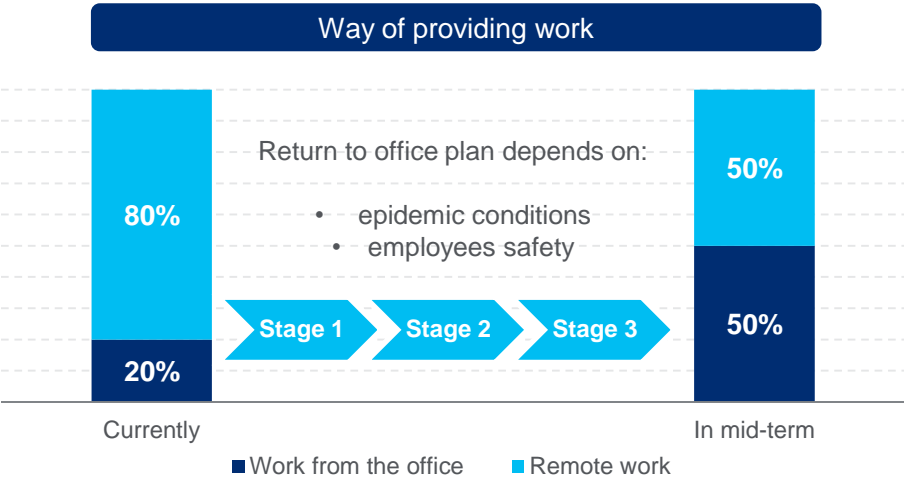
Solid balance sheet

- **Treasury bonds constitute 38% of total assets**;
- **69% of institutional banking loan portfolio** comprises of top global and domestic companies;
- Retail customers' unsecured loans – **inhabitants of the largest Polish cities, with stable contracts of employment.**

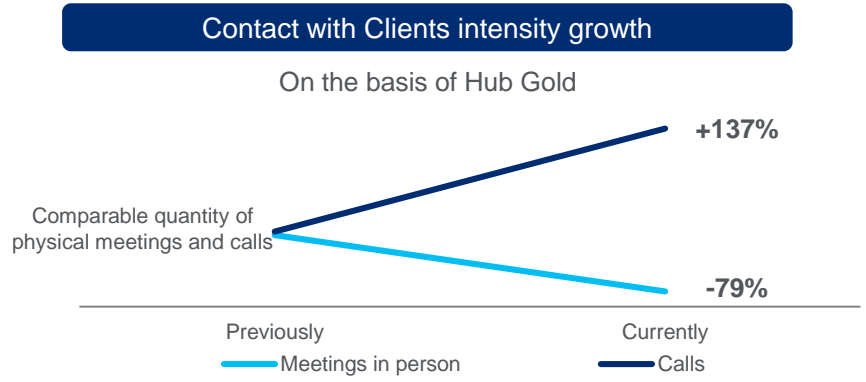
Well-defined target market

- Bank of **first choice** for global corporations;
- **Trusted financial partner** for large Polish enterprises;
- **Focus on acquisition** and service of affluent Clients based on light distribution model;

New Bank operating model



- 80% of employees work from home
- No need for additional investments in IT infrastructure for employees
- Security of employees and office space
- Work in shifts of physically present employees



- ### Digitization of contact with client in the new environment
- Use of qualified electronic signatures
 - Reduction of paper documentation
 - Limit increase of contactless payments without PIN up to PLN 100
 - Temporary growth of demand for cash (March 12-18), growth of cash supply in branches (PLN 4x, EUR 2x, USD +60%)

Support for clients

Support programs for clients

Enterprises

- **Support for clients liquidity:**
 - Financial Shield of Polish Development Fund (PFR)
 - Guaranties from BGK Liquidity Guarantee Fund
 - De minimis guarantees

• Loan payment moratorium



Retail Customers

• Loan payment moratorium



Technical innovations for better security

The only Bank in Poland with remote biometrical process for 3 most important products



Personal account



Credit card



Cash loan



Zostań w domu z Citi Specials i posmakuj wyjątkowych ofert!

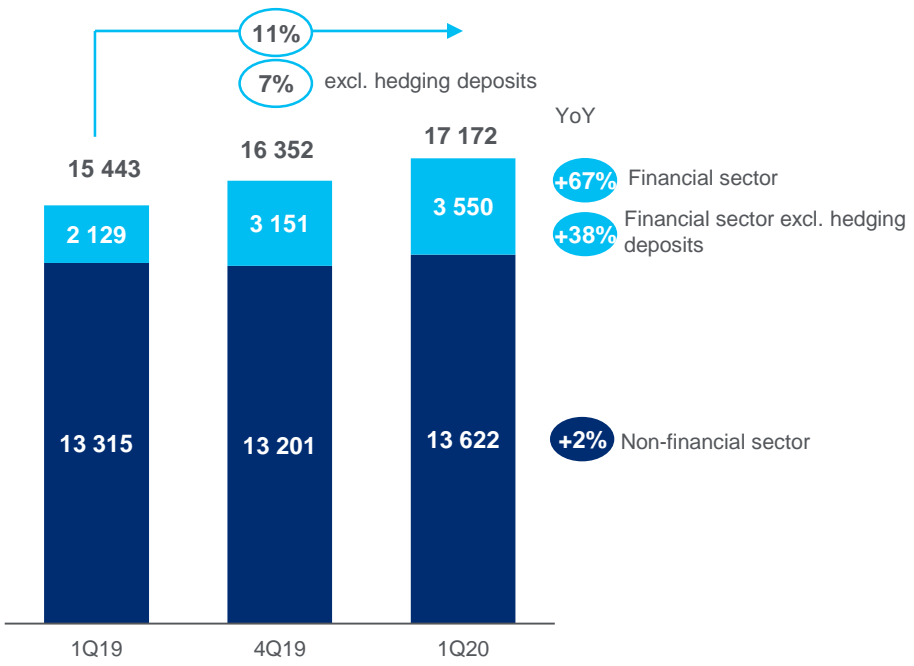
Business volumes

150 years
of progress

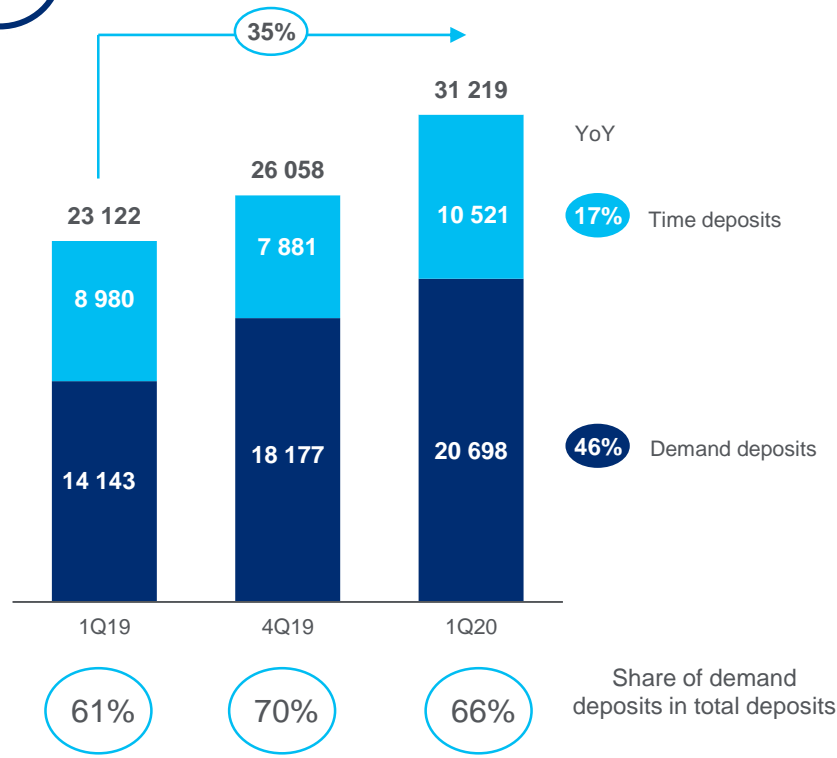
Institutional Banking – loan and deposit volumes



Loan volumes (PLN MM)

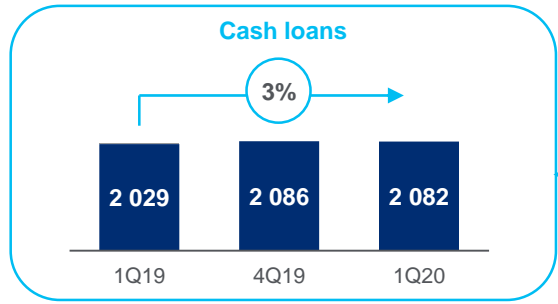
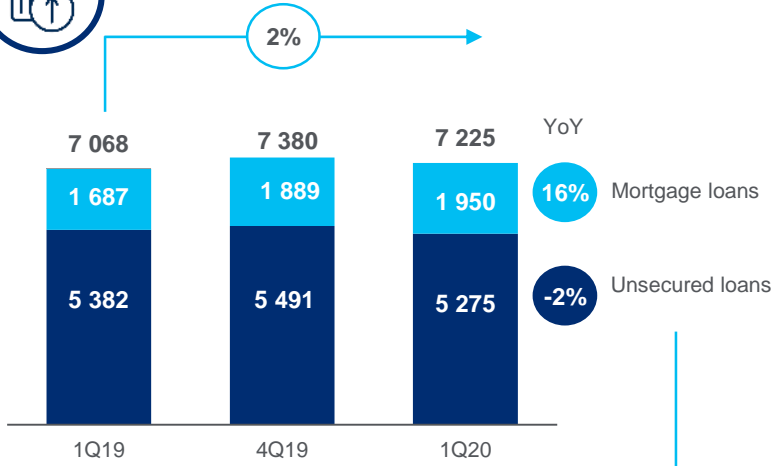


Deposit volumes (PLN MM)

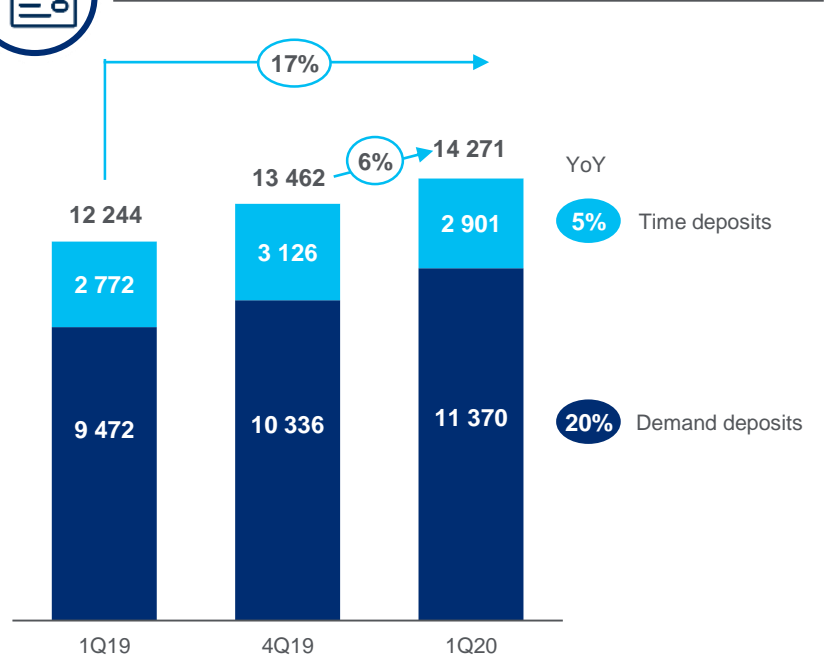


Consumer Banking – loan and deposit volumes

 **Loan volumes (PLN MM)**



 **Deposit volumes (PLN MM)**

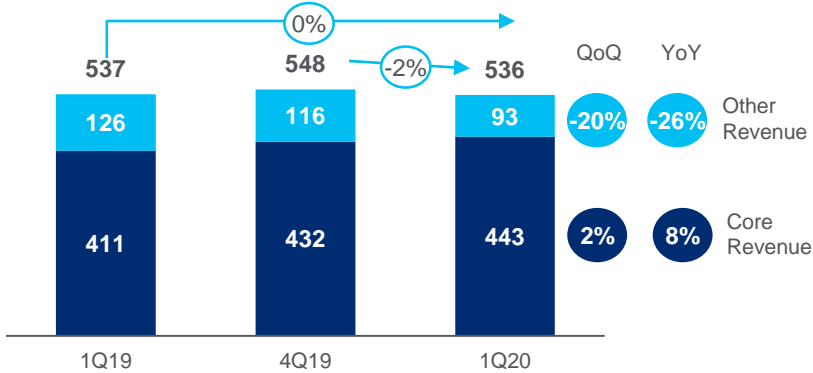


1Q 2020 Financial results

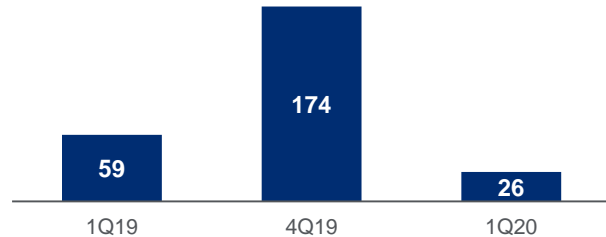
150years
of progress

Revenue

Revenue (PLN MM)

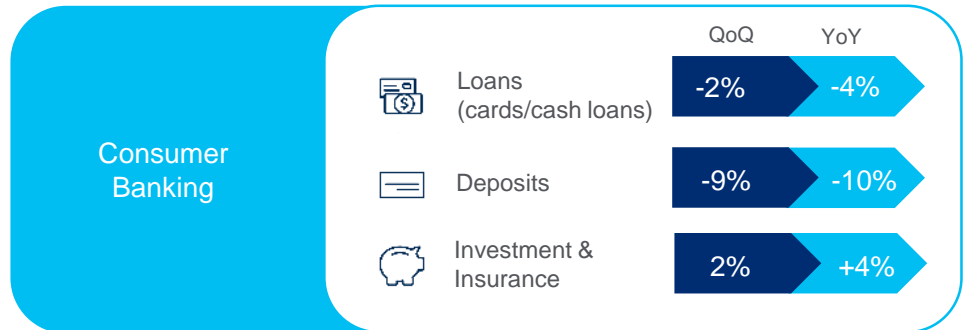
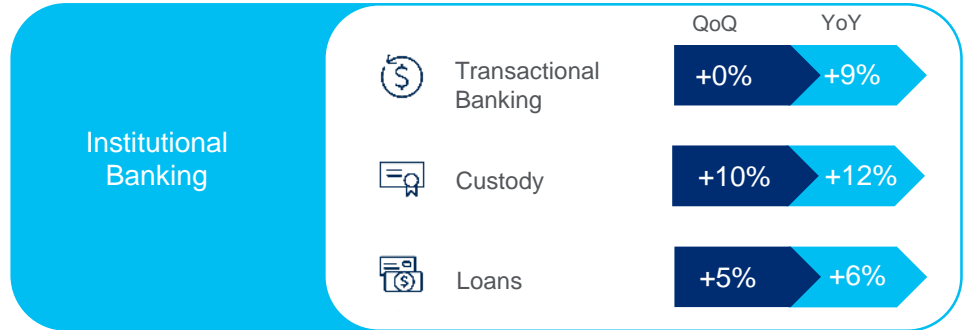


Net profit (PLN MM)



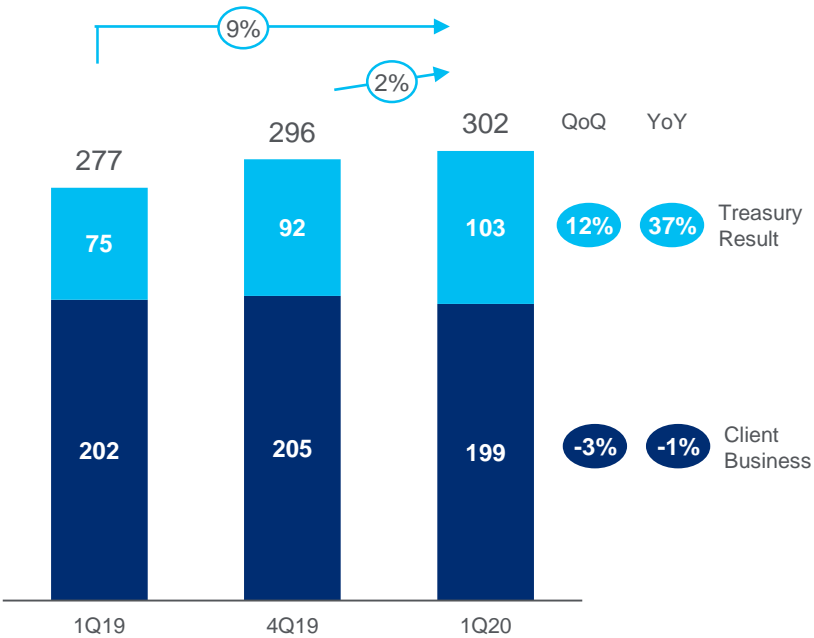
Client revenue dynamics (management view in %)

Core revenue increase as a result of good performance in institutional banking

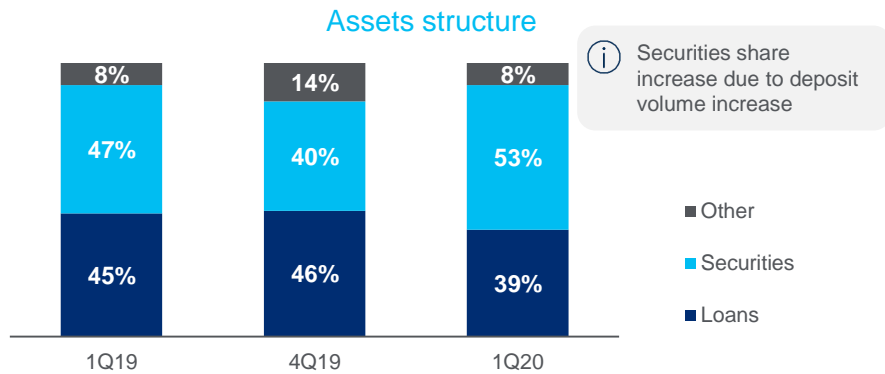
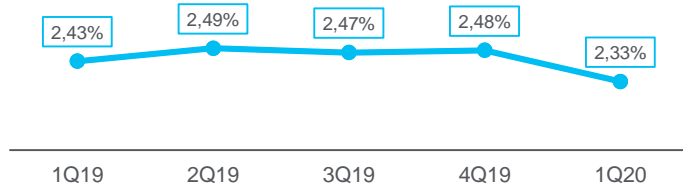


Net Interest Income

Net Interest Income (PLN MM)



Net interest margin (%)

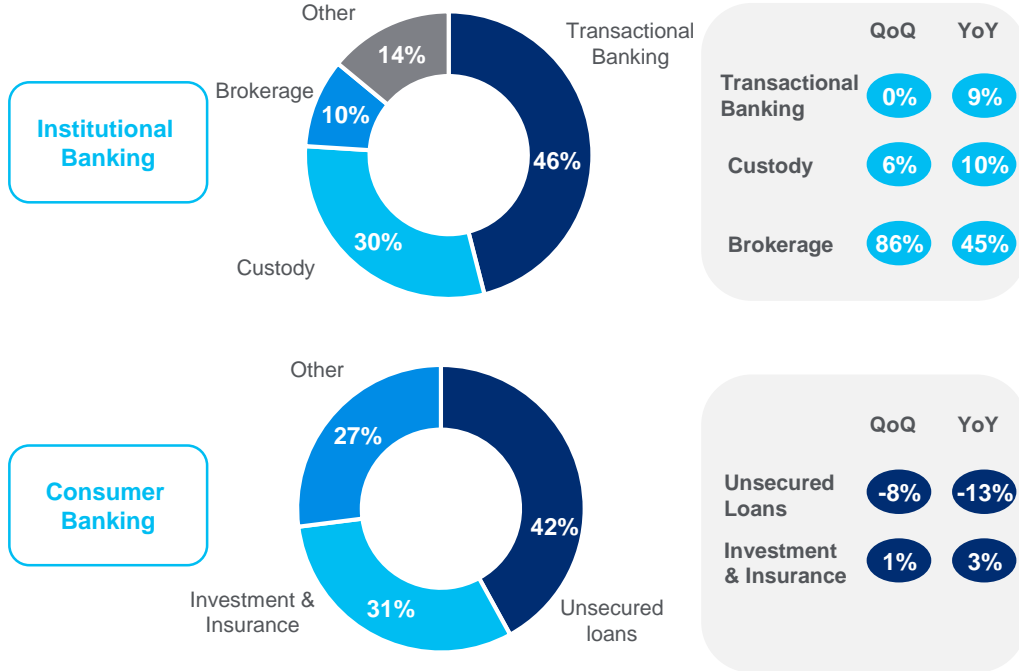
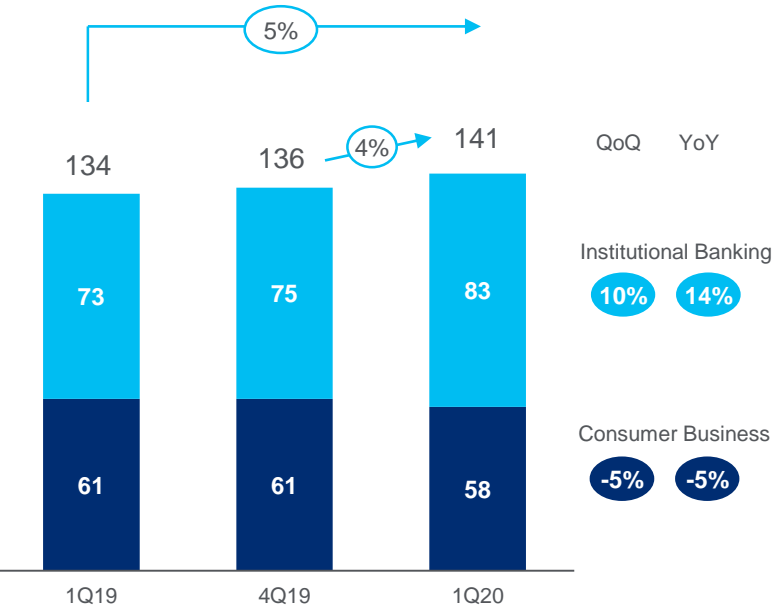


Net Fee & Commission Income

Volumes growth in transactional banking and custody

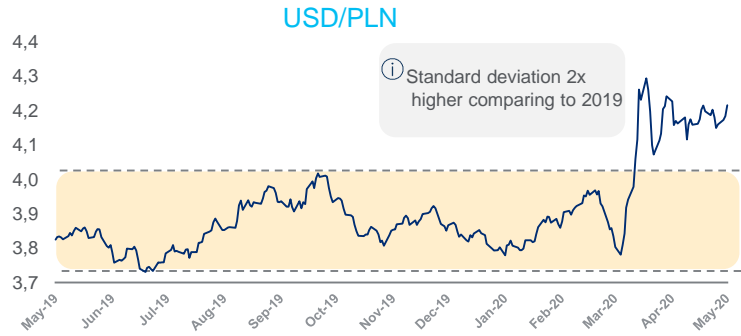
Net Fee & Commission Income (PLN MM)

NF&C income structure and dynamics (%)

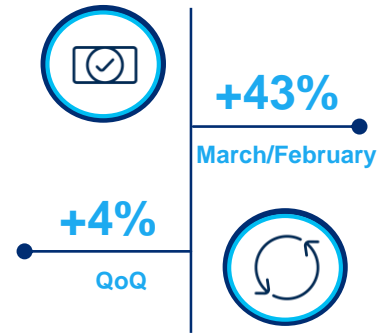


Treasury result

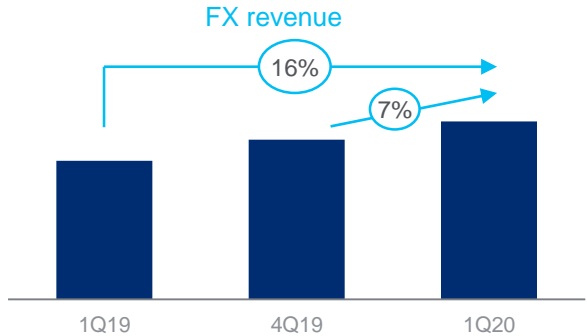
High volatility on FX markets



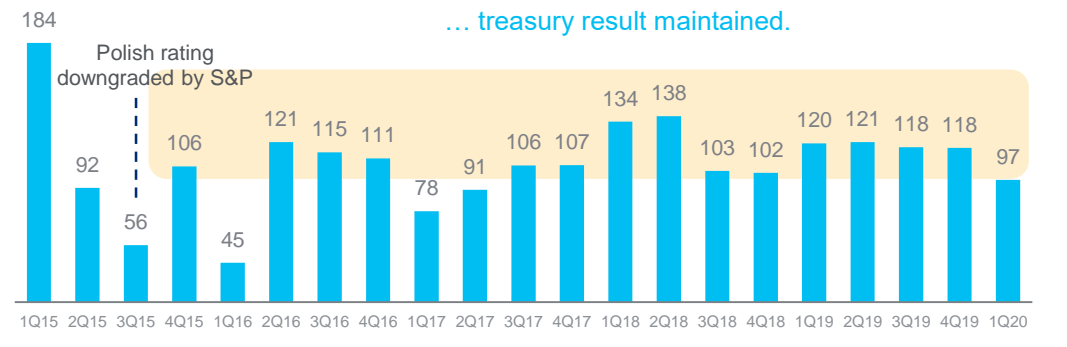
Higher FX volume



Client revenue growth



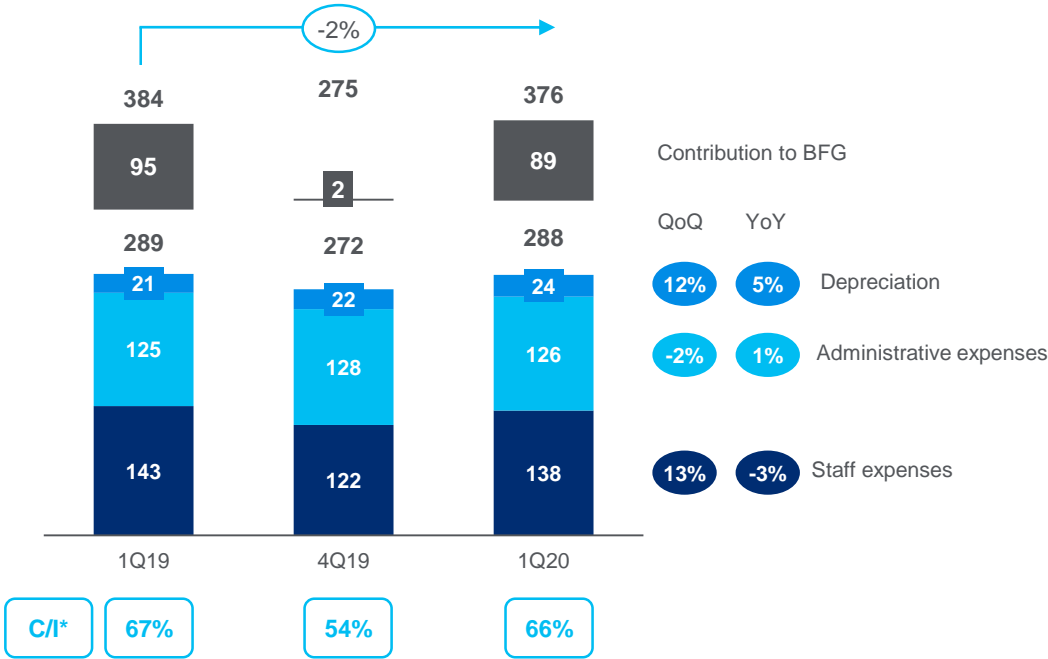
Treasury result in last 5 years horizon



Operating expenses

Investment in client business growth areas continued

Operating expenses (PLN MM)



* Amortization of BFG resolution fund fee for the whole year

Investment in technology – impact to business

Biometry **+15 p.p.**

share in cash loan sale (YoY)



+12% CitiMobile

number of CitiMobile users (YoY)



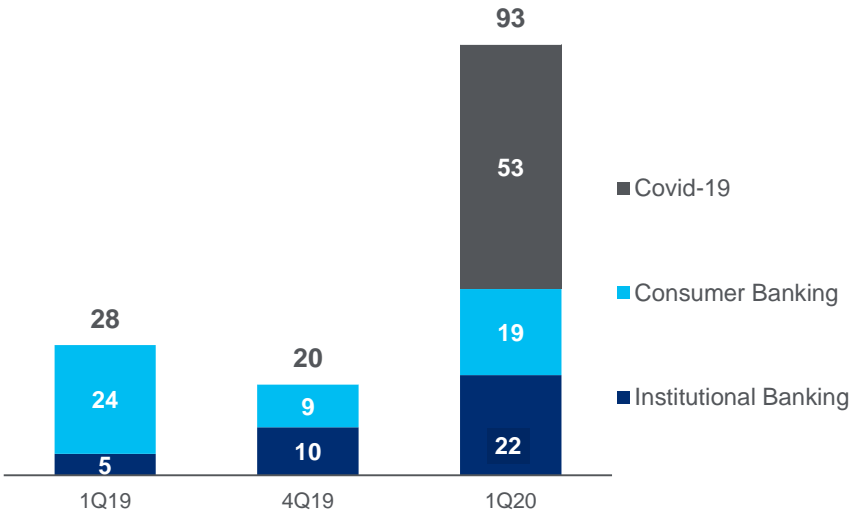
Comments YoY

- Annual contribution **Resolution Fund** amounted to PLN 84.3 MM (PLN 93.1 in 1Q19) – totally accounted in 1Q expenses;
- Quarterly contribution to **Deposit Guarantee Fund** amounted to PLN 4.6 MM (quarterly PLN 2.3 MM on average in 2019).

Cost of risk

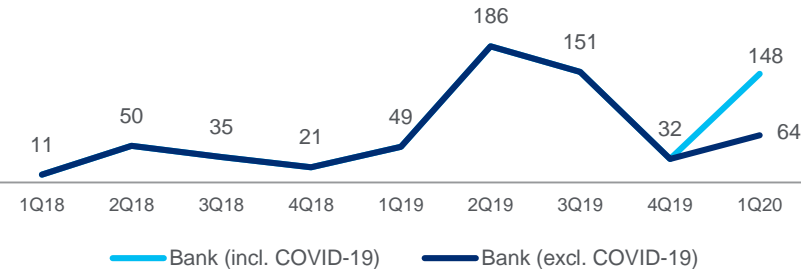
Significant growth of cost of risk due to high uncertainty regarding COVID-19, non-performing loans portfolio (NPL) stable.

Cost of Risk of the Group* (PLN MM)



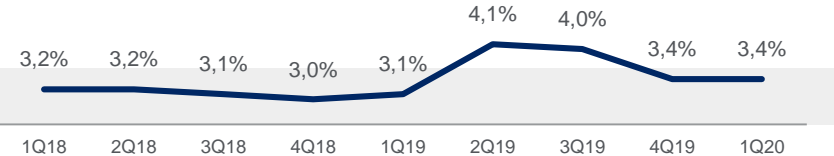
* Positive number in net impairment losses means negative impact on P&L

Cost of Risk* (bps)



* Positive number in net impairment losses means negative impact on P&L

NPL ratio (%)

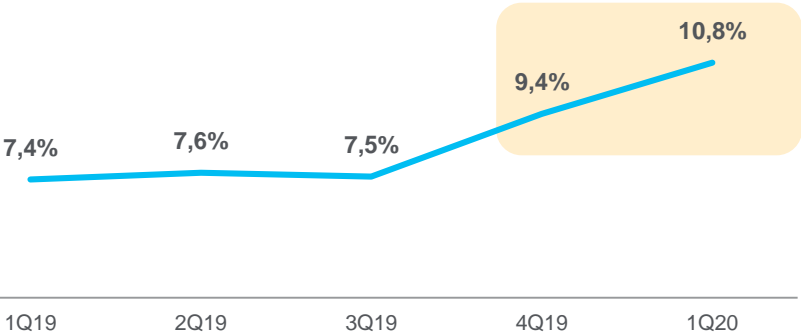


Loan portfolio quality

Share of the stage 2 in gross portfolio (%)

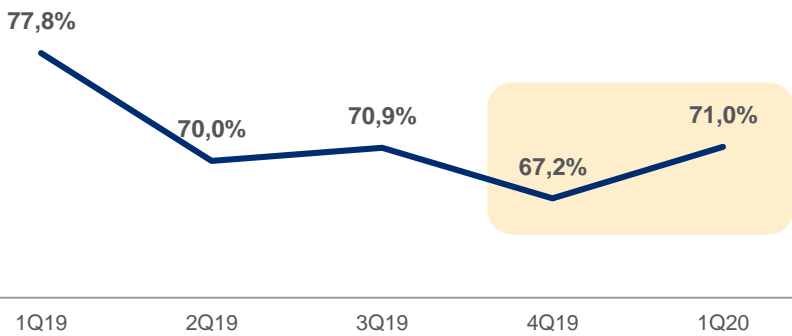
Institutional Banking: update of internal ratings to reflect new market conditions, the companies will face.

Consumer Banking: revision of the behavioral model



Coverage ratio (%)

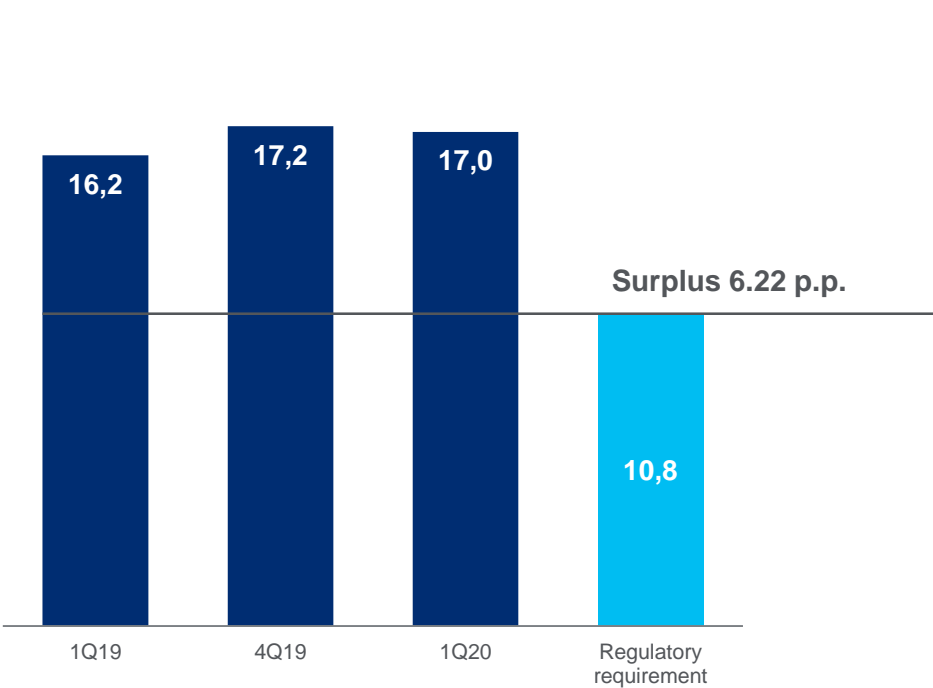
Increase of the provisions level reflecting conservative approach to credit risk



Total capital ratio

Capital and liquidity ratios significantly above regulatory requirements

TCR (%)



Dividend for 2019



- As a result of pandemic, banks were informed by the President of the PFSA on March 26, 2020, that PFSA expects that previous years profits will be retained;
- There are different approaches of regulators to dividend payout:
 - European Central Bank: recommended suspension of the decision on dividend payout till October 1, after that date ECB will issue another recommendation on that matter, depending on macroeconomic situation;
 - USA: US banks do pay out dividend, buyback of share was suspended

Support for local community

#SilentHeroes event – hot meal for paramedics in Warsaw and Olsztyn

7 370
hot
meals...

.... for 335
Silent
heroes...

... from 1 379
Citi Volunteers

Work day
during pandemic



#CitiVolunteers for
#CisiBohaterowie

Everyday they fight on the front line!
Let's help them

Remember that every donated
PLN 1 is doubled by Citi in Poland.

Kronenberg Foundation at Citi Handlowy
92 1030 1016 0000 0000 0380 6000 Donation
"Silent Heroes"

Appendix

Financial results summary

| | 1Q20 | 4Q19 | Δ QoQ | 1Q19 | Δ YoY |
|-----------------------------------|---------------|---------------|--------------|---------------|--------------|
| Net interest income | 302 | 296 | 2% | 277 | 9% |
| Net fee and commission income | 141 | 136 | 4% | 134 | 5% |
| Core revenue | 443 | 432 | 2% | 411 | 8% |
| Treasury | 97 | 118 | (17%) | 120 | (19%) |
| Other | (5) | (2) | 155% | 5 | (187%) |
| Total revenue | 536 | 548 | (2%) | 537 | 0% |
| Expenses | 376 | 275 | 37% | 384 | (2%) |
| Operating margin | 159 | 273 | (42%) | 153 | 4% |
| Net impairment losses | 93 | 20 | 373% | 28 | 231% |
| Profit before tax | 35 | 225 | (85%) | 103 | (66%) |
| Corporate income tax | 8 | 51 | (84%) | 43 | -81% |
| Bank levy | 31 | 28 | 10% | 22 | 42% |
| Effective tax rate | 23.9% | 22.8% | 1.1 pp. | 42.2% | (18.3 pp.) |
| Net income | 26 | 174 | (85%) | 59 | (56%) |
| Return on Equity ¹⁾ | 6.7% | 7.2% | (0.6 pp.) | 8.6% | (1.9 pp.) |
| Total comprehensive income | 71 | 140 | (49%) | 8 | - |
| Assets | 62,278 | 51,979 | 20% | 49,544 | 26% |
| Net loans | 24,397 | 23,732 | 3% | 22,512 | 8% |
| Deposits | 46,011 | 39,788 | 16% | 35,607 | 29% |
| Loans / Deposits | 53% | 60% | | 63% | |
| TCR | 17.0% | 17.2% | | 16.2% | |

1) ROE = 4 consecutive quarters net income sum / 4 consecutive quarters equity volume.



Comments YoY



Net income under pressure of higher cost of risk due to COVID-19 pandemic and seasonal growth of operating expenses;



Strong core revenue growth;



Operating expenses increase due to booking the annual charge to BFG resolution fund;



High growth of Client deposits reflecting good relations with clients and Bank profile.

Total Bank – profit and loss account

| PLN MM | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 1Q20 vs. 4Q19 | | 1Q20 vs. 1Q19 | |
|--|-------|-------|-------|-------|-------|---------------|-------|---------------|-------|
| | | | | | | PLN MM | % | PLN MM | % |
| Net interest income | 277 | 288 | 292 | 296 | 302 | 6 | 2% | 25 | 9% |
| Net fee and commission income | 134 | 153 | 142 | 136 | 141 | 5 | 4% | 7 | 5% |
| Dividend income | 0 | 10 | 1 | 0 | 0 | (0) | (44%) | 0 | 33% |
| Net gain on trading financial instruments and revaluation | 91 | 96 | 99 | 93 | (7) | (101) | - | (98) | - |
| Net gain on debt investment financial assets measured at fair value through other comprehensive income | 29 | 25 | 19 | 24 | 105 | 80 | 330% | 75 | 258% |
| Hedge accounting | (0) | (0) | (0) | (2) | (3) | (0) | 14% | (2) | 568% |
| Treasury | 120 | 121 | 118 | 115 | 95 | (20) | (18%) | (25) | (21%) |
| Net gain on other equity instruments | 6 | 7 | 3 | 1 | (2) | (3) | - | (8) | - |
| Net other operating income | (0) | (1) | (2) | (1) | (0) | 0 | (45%) | (0) | 101% |
| Revenue | 537 | 579 | 553 | 548 | 536 | (13) | (2%) | (1) | (0%) |
| Expenses | (363) | (258) | (255) | (253) | (353) | (100) | 40% | 10 | (3%) |
| Depreciation | (21) | (22) | (21) | (22) | (24) | (1) | 5% | (3) | 12% |
| Expenses and depreciation | (384) | (279) | (276) | (275) | (376) | (101) | 37% | 8 | (2%) |
| Operating margin | 153 | 299 | 277 | 273 | 159 | (114) | (42%) | 6 | 4% |
| Profit/(loss) on sale of tangible fixed assets | 0.0 | (0.0) | (0.3) | (0.1) | (0.4) | (0) | 548% | (0) | - |
| Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments | (28) | (106) | (91) | (20) | (93) | (74) | 373% | (65) | 231% |
| Share in profits / (losses) of entities valued at the equity method | - | - | - | - | - | - | - | - | - |
| Tax on certain financial institutions | (22) | (22) | (25) | (28) | (31) | (3) | 10% | (9) | 42% |
| EBIT | 103 | 170 | 160 | 225 | 35 | (191) | (85%) | (68) | (66%) |
| Corporate income tax | (43) | (37) | (46) | (51) | (8) | 43 | (84%) | 35 | (81%) |
| Net profit | 59 | 133 | 114 | 174 | 26 | (147) | (85%) | (33) | (56%) |
| C/I ratio | 71% | 48% | 50% | 50% | 70% | | | | |

Institutional Banking – profit and loss account

| PLN MM | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 1Q20 vs. 4Q19 | | 1Q20 vs. 1Q19 | |
|--|--------------|--------------|--------------|--------------|--------------|---------------|--------------|---------------|--------------|
| | | | | | | PLN MM | % | PLN MM | % |
| Net interest income | 119 | 130 | 129 | 137 | 147 | 10 | 7% | 28 | 24% |
| Net fee and commission income | 73 | 76 | 80 | 75 | 83 | 8 | 10% | 10 | 14% |
| Dividend income | 0 | 1 | 1 | 0 | 0 | (0) | (48%) | 0 | 36% |
| Net gain on trading financial instruments and revaluation | 85 | 89 | 92 | 86 | (16) | (102) | - | (101) | - |
| Net gain on debt investment financial assets measured at fair value through other comprehensive income | 29 | 25 | 19 | 24 | 105 | 80 | 330% | 75 | 258% |
| Hedge accounting | (0) | (0) | (0) | (2) | (3) | (0) | 14% | (2) | 568% |
| Treasury | 114 | 114 | 111 | 108 | 86 | (22) | (21%) | (28) | (25%) |
| Net gain on other equity instruments | 6 | 6 | 3 | 1 | (2) | (3) | - | (8) | - |
| Net other operating income | 3 | 3 | 2 | 2 | 3 | 1 | 29% | (0) | (1%) |
| Revenue | 314 | 330 | 325 | 323 | 317 | (7) | (2%) | 2 | 1% |
| Expenses | (202) | (108) | (109) | (113) | (191) | (78) | 69% | 11 | (6%) |
| Depreciation | (5) | (5) | (5) | (5) | (6) | (1) | 16% | (1) | 17% |
| Expenses and depreciation | (207) | (113) | (114) | (118) | (197) | (79) | 67% | 10 | (5%) |
| Operating margin | 107 | 217 | 211 | 205 | 120 | (86) | (42%) | 13 | 12% |
| Profit/(loss) on sale of tangible fixed assets | 0.0 | 0.0 | (0.1) | 0.0 | -0.1 | (0) | - | (0) | - |
| Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments | (5) | (77) | (76) | (10) | (57) | (46) | 444% | (52) | 1120% |
| Tax on certain financial institutions | (16) | (16) | (19) | (22) | (24) | (3) | 13% | (8) | 52% |
| Share in profits / (losses) of entities valued at the equity method | - | - | - | - | - | - | - | - | - |
| EBIT | 86 | 123 | 116 | 173 | 38 | (135) | (78%) | (48) | (55%) |
| C/I ratio | 66% | 34% | 35% | 36% | 62% | | | | |

Consumer Banking – profit and loss account

| PLN MM | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 1Q20 vs. 4Q19 | | 1Q20 vs. 1Q19 | |
|--|--------------|--------------|--------------|--------------|--------------|---------------|--------------|---------------|--------------|
| | | | | | | PLN MM | % | PLN MM | % |
| Net interest income | 158 | 158 | 162 | 160 | 155 | (5) | (3%) | (3) | (2%) |
| Net fee and commission income | 61 | 77 | 62 | 61 | 58 | (3) | (5%) | (3) | (5%) |
| Dividend income | 0 | 9 | - | 0 | 0 | (0) | (42%) | 0 | 31% |
| Net gain on trading financial instruments and revaluation | 6 | 7 | 7 | 7 | 9 | 2 | 27% | 3 | 39% |
| Net gain on other equity instruments | - | 1 | - | - | - | - | - | - | - |
| Net other operating income | (3) | (4) | (4) | (3) | (4) | (0) | 13% | (0) | 5% |
| Revenue | 223 | 248 | 228 | 225 | 219 | (6) | (3%) | (4) | (2%) |
| Expenses | (161) | (149) | (146) | (140) | (161) | (22) | 16% | (1) | 1% |
| Depreciation | (16) | (17) | (17) | (17) | (18) | (0) | 2% | (2) | 11% |
| Expenses and depreciation | (177) | (166) | (162) | (157) | (179) | (22) | 14% | (3) | 2% |
| Operating margin | 46 | 82 | 65 | 68 | 40 | (28) | (41%) | (6) | (14%) |
| Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments | (24) | (29) | (15) | (9) | (37) | (27) | 293% | (13) | 55% |
| Tax on certain financial institutions | (6) | (6) | (6) | (6) | (7) | (0) | 1% | (1) | 13% |
| EBIT | 17 | 47 | 44 | 52 | (4) | (56) | - | (20) | - |
| C/I ratio | 79% | 67% | 71% | 70% | 82% | | | | |

Balance Sheet – assets

| PLN B | End of period | | | | | 1Q20 vs. 4Q19 | | 1Q20 vs. 1Q19 | |
|--|---------------|-------------|-------------|-------------|-------------|---------------|--------------|---------------|------------|
| | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | PLN B | % | PLN B | % |
| Cash and balances with the Central Bank | 0.4 | 0.4 | 3.4 | 3.7 | 0.6 | (3.1) | (83%) | 0.2 | 51% |
| Amounts due from banks | 0.8 | 1.0 | 0.9 | 1.2 | 2.0 | 0.9 | 74% | 1.2 | 155% |
| Financial assets held-for-trading | 6.0 | 5.7 | 5.3 | 5.4 | 9.2 | 3.8 | 70% | 3.2 | 53% |
| Debt financial asstes measured at fair value through other comprehensive income | 17.3 | 19.8 | 16.6 | 15.5 | 23.5 | 8.0 | 52% | 6.2 | 36% |
| Customer loans | 22.5 | 22.1 | 23.3 | 23.7 | 24.4 | 0.7 | 3% | 1.9 | 8% |
| Financial sector entities | 2.1 | 2.1 | 2.9 | 3.2 | 3.5 | 0.4 | 13% | 1.4 | 67% |
| including reverse repo receivables | 0.2 | 0.0 | 0.3 | 0.0 | - | (0.0) | (100%) | (0.2) | (100%) |
| Non-financial sector entities | 20.4 | 20.0 | 20.4 | 20.6 | 20.8 | 0.3 | 1% | 0.5 | 2% |
| Institutional Banking | 13.3 | 12.8 | 13.0 | 13.2 | 13.6 | 0.4 | 3% | 0.3 | 2% |
| Consumer Banking | 7.1 | 7.2 | 7.4 | 7.4 | 7.2 | (0.2) | (2%) | 0.2 | 2% |
| Unsecured receivables | 5.4 | 5.5 | 5.5 | 5.5 | 5.3 | (0.2) | (4%) | (0.1) | (2%) |
| Credit cards | 2.6 | 2.7 | 2.7 | 2.8 | 2.7 | (0.1) | (4%) | 0.0 | 2% |
| Cash loans | 2.7 | 2.7 | 2.7 | 2.7 | 2.8 | 0.1 | 3% | 0.0 | 2% |
| Other unsecured receivables | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | (0.0) | (23%) | (0.0) | (26%) |
| Mortgage | 1.7 | 1.8 | 1.8 | 1.9 | 2.0 | 0.1 | 3% | 0.3 | 16% |
| Other assets | 2.5 | 2.5 | 2.4 | 2.4 | 2.5 | 0.1 | 2% | 0.0 | 1% |
| Total assets | 49.5 | 51.5 | 52.0 | 52.0 | 62.3 | 10.3 | 20% | 12.7 | 26% |

Balance Sheet – liabilities and equity

| PLN B | End of period | | | | | 1Q20 vs. 4Q19 | | 1Q20 vs. 1Q19 | |
|---|---------------|--------------|--------------|--------------|--------------|---------------|------------|---------------|------------|
| | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | PLN B | % | PLN B | % |
| Liabilities due to banks | 3.8 | 4.3 | 5.0 | 2.1 | 3.7 | 1.6 | 74% | (0.1) | (3%) |
| Financial liabilities held-for-trading | 1.5 | 1.7 | 2.0 | 1.9 | 4.0 | 2.1 | 114% | 2.5 | 161% |
| Financial liabilities due to customers | 35.6 | 37.0 | 36.4 | 39.8 | 46.0 | 6.2 | 16% | 10.4 | 29% |
| Financial sector entities - deposits | 6.5 | 6.6 | 4.6 | 4.6 | 6.8 | 2.3 | 50% | 0.4 | 6% |
| Non-financial sector entities - deposits | 28.9 | 30.1 | 31.5 | 35.0 | 38.7 | 3.7 | 11% | 9.8 | 34% |
| Institutional Banking | 16.7 | 17.7 | 18.3 | 21.5 | 24.4 | 2.9 | 13% | 7.7 | 46% |
| Consumer Banking | 12.2 | 12.4 | 13.2 | 13.5 | 14.3 | 0.8 | 6% | 2.0 | 17% |
| Other liabilities | 1.5 | 1.6 | 1.6 | 1.1 | 1.4 | 0.3 | 26% | (0.1) | (9%) |
| Total liabilities | 42.5 | 44.7 | 45.0 | 44.9 | 55.1 | 10.2 | 23% | 12.7 | 30% |
| Share capital | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.0 | 0% | 0.0 | 0% |
| Supplementary capital | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | (0.0) | (0%) | (0.0) | (0%) |
| Revaluation reserve | 0.0 | 0.1 | 0.1 | 0.1 | 0.2 | 0.04 | 39% | 0.13 | 387% |
| Other reserves | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 | 0.0 | 0% | (0.0) | (1%) |
| Retained earning | 0.6 | 0.3 | 0.4 | 0.6 | 0.6 | 0.0 | 5% | (0.0) | (5%) |
| Total Equity | 7.1 | 6.8 | 6.9 | 7.1 | 7.1 | 0.1 | 1% | 0.1 | 1% |
| Total liabilities & equity | 49.5 | 51.5 | 51.9 | 52.0 | 62.3 | 10.3 | 20% | 12.7 | 26% |
| Loans / Deposits ratio | 63% | 60% | 64% | 60% | 53% | | | | |
| Total Capital Ratio | 16.2% | 16.6% | 16.3% | 17.2% | 17.0% | | | | |
| NPL* | 3.1% | 4.1% | 4.0% | 3.4% | 3.4% | | | | |

*as reported, incl. reverse repo