

April 29th, 2021

Bank Handlowy w Warszawie S.A.

Consolidated financial results

Q1 2021

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

The logo for Citi Handlowy, featuring the word "citi" in a lowercase sans-serif font with a red arc above the "i", followed by "handlowy" in a lowercase sans-serif font.



Business activity in Q1 2021

70 kW Photovoltaic power plant on the roof of the Bank's building on Golezowska str.

Q1 2021 – summary



Client business

- **Strong trends** in Investment Banking continued – support for the initiatives of Polish enterprises in international capital markets and M&A transactions;
- Implementation of **growth strategy** in the area of new technology companies, as a result of comprehensive offer based on global knowledge of the Bank and top-tier platform infrastructure (FX, Transactional Banking);
- **High client activity** in Transactional Banking, fueled by growing international trade volumes;
- Another consecutive **quarter of growth** in Wealth Management;
- **Improving sentiment** of individual customers – positive trends in consumer spending and unsecured loans



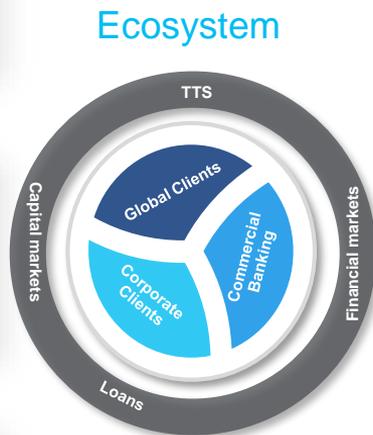
Financial and business results

- **The highest quarterly net profit** since IPO of the Bank on WSE – PLN 395 MM;
- Client revenues: +13% YoY (excl. impact of investment debt securities sale) as a result of continued **strong activity** among institutional clients;
- Continued **cost discipline**: -4% YoY accompanied by high investment expenses on “front end” systems;
- Cost of risk at the level of 11 bps. reflecting **good quality of the Bank’s loan portfolio** and economic recovery perspectives for Poland;
- **Institutional clients loans rebound** +4% QoQ as a result of demand increase of corporate clients and commercial banking;
- Third consecutive quarter of **individual clients deposits growth** +4% QoQ predominantly in the field of strategic initiatives (affluent clients and CitiKonto).

Institutional Banking – clients' revenues

Institutional Banking - well diversified in terms of revenue sources

(Management view)



Share in total revenue



Institutional Banking – business achievements

Citi Handlowy supports Clients in their business goals implementations regardless to borders...

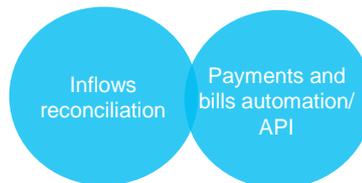
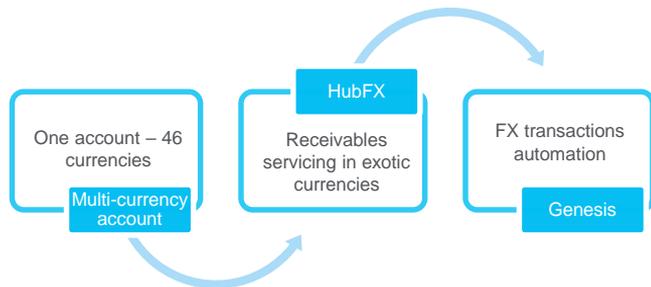


...and contributes to sustainable growth...

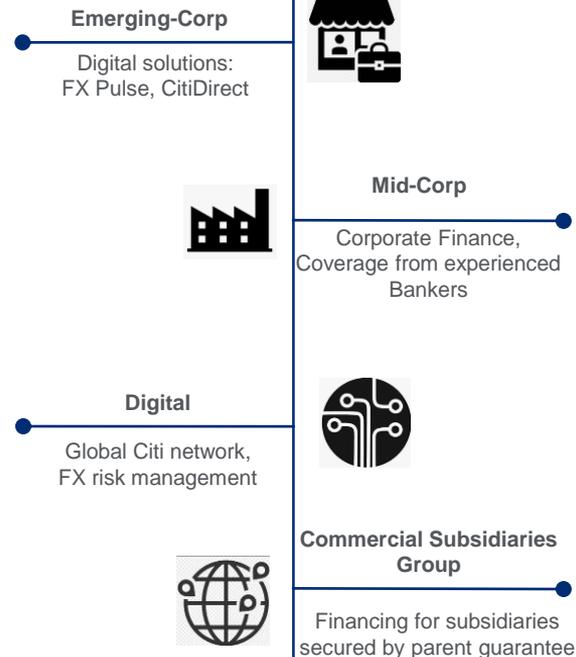


1 Investment Banking in 2021*

...offering unified online platforms – FX and TTS regardless to country of the client's business activity



Commercial Banking



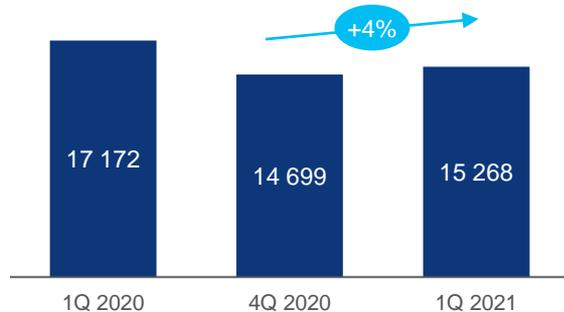
*On the basis of Dealogic data in overall ranking

Institutional Banking – loan and deposit volumes



Volumes (PLN MM)

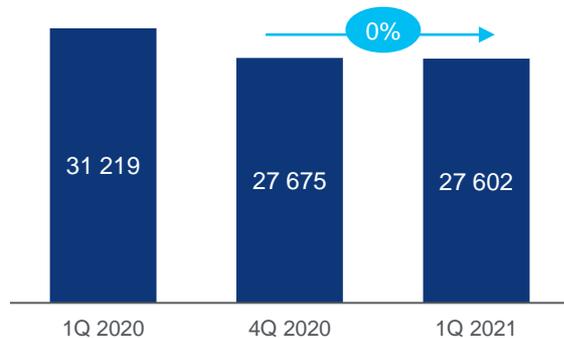
Loans



Commercial Banking:
+7% QoQ

Corporate Clients:
+4% QoQ

Deposits

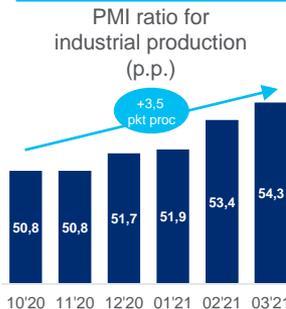


Global Clients:
+8% QoQ



Transactional Banking

High immunity of domestic industry

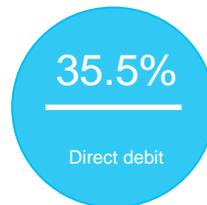


International money transfers
+10% YoY

Average level of Trade asset
+29% YoY

Guarantees – transactions value
+47% YoY

Market share



Institutional Banking– financial results

PLN MM	1Q'21	4Q'20	ΔQoQ	1Q'20	ΔYoY
Net interest income - clients	45	42	6%	48	(8%)
Net interest income - treasury	55	77	(29%)	99	(45%)
Net fee & commission income	121	105	16%	83	46%
Treasury result ¹⁾	564	152	270%	86	558%
Other income	4	6	(31%)	2	176%
Total revenue	788	383	106%	317	149%
Expenses & depreciation	(188)	(112)	68%	(197)	(5%)
Cost of risk ²⁾	19	15	-	(57)	-
Profit before tax	590	262	125%	38	-

1) Net treasury result: net gain on trading financial instruments and revaluation, net gain on debt investment financial assets measured at fair value though other comprehensive income and result on hedge accounting

2) Negative number in net impairment losses means positive impact on P&L

Client business indicators:

Cost / Income



ROA

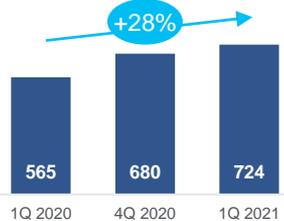


Consumer Banking – business achievements

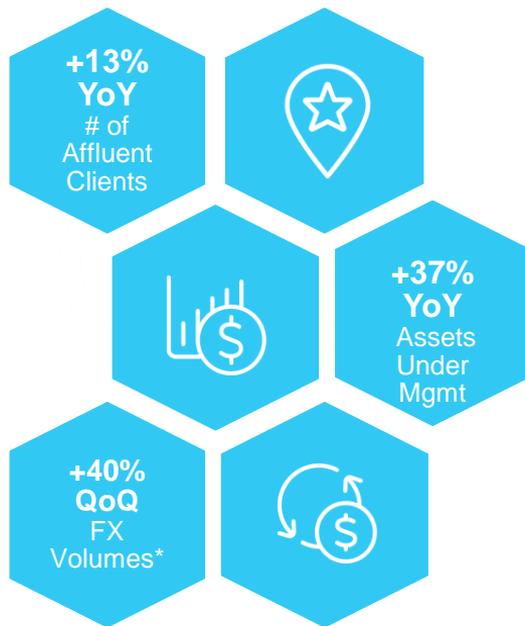
Wealth Management leader in Poland

Growing volumes of affluent clients' transactions, as a result of increasing volumes on saving and current accounts

Saving and current accounts of individual clients in the banking sector (PLN B) *



* NBP data



CitiKantor

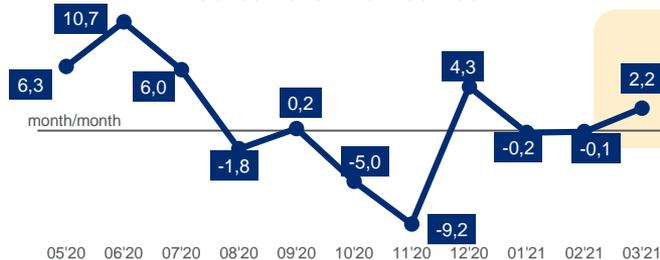
10 new FX currency pairs

*Regarding all volumes

150 years of progress

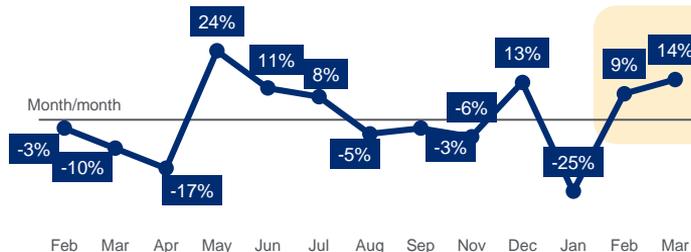
Improving customers mood...

Consumer confidence index



...affected Bank sale dynamics positively.

Credit card transactions value dynamics (domestic expenditures)



+58% QoQ

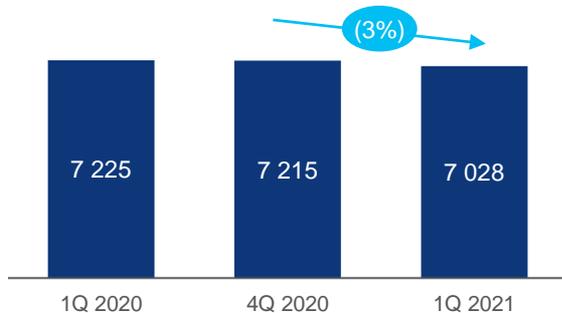
Credit card sale in partnership - OBI

Consumer Banking– Business volumes



Volumes (PLN MM)

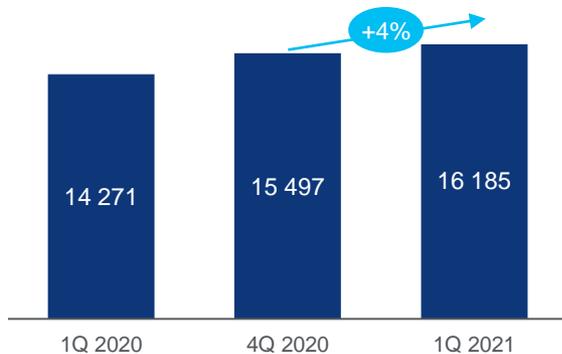
Loans



Unsecured loans
(5%) QoQ

Mortgage loans
2% QoQ

Deposits



CitiKonto

every second account
is opened using "selfie"

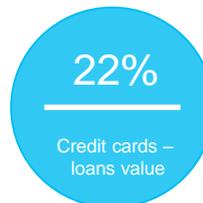


Consumer banking

Growing online sales



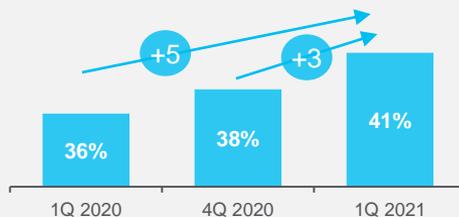
Market shares



Consumer Banking – financial results

PLN MM	1Q'21	4Q'20	ΔQoQ	1Q'20	ΔYoY
Total revenue	153	135	13%	219	(30%)
Expenses & depreciation	(175)	(164)	7%	(179)	(3%)
Impairment on goodwill	-	(215)	-	-	-
Cost of risk	(25)	(27)	(7%)	(37)	(31%)
Profit before tax	(55)	(278)	-	(4)	-
Profit before tax (excl. goodwill impact)	(55)	(63)	-	(4)	-

Maintaining high quality of service
(NPS of Wealth Management)



Consumer banking shares as end of Q1'21:

In Bank's revenue*



In Bank's loans

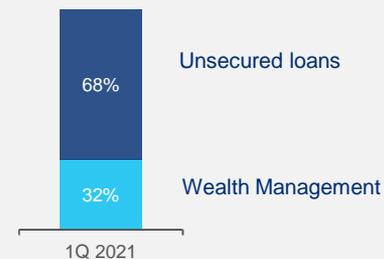


In Bank's deposits



* Excluding the result of debt investment financial assets

Revenue structure of Consumer Banking in Q1'21: (management view)



A selective approach - dividend from financial institutions

Poland

Impact of dividends from financial institutions on future pensions

Financial institutions paid the highest dividend from all industries (dividend share from financial institutions in comparison to total dividend paid from companies listed on WSE*)

52%

* Regarding 2018 net profit, financial institutions consists of banks and insurance

Financial Institutions are among main profiles of companies in portfolios of pension funds*

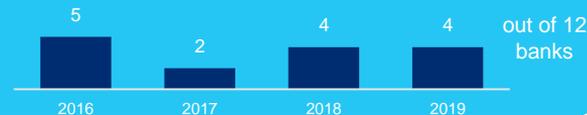
31%

* According to annual structure of assets of pension funds as of 2020.

Strategy – dividend vs. growth company profile

The recommendation of Polish FSA regarding the dividend payment regulates the selected strategy

of banks which obtained the approval from regulator to pay out at least 50% of profits in the form of dividends – Citi Handlowy met dividend criteria each year thanks to capital surplus



World

Regulators around the world allow to dividends payout depending on the banks' condition – a selective approach



March 2020

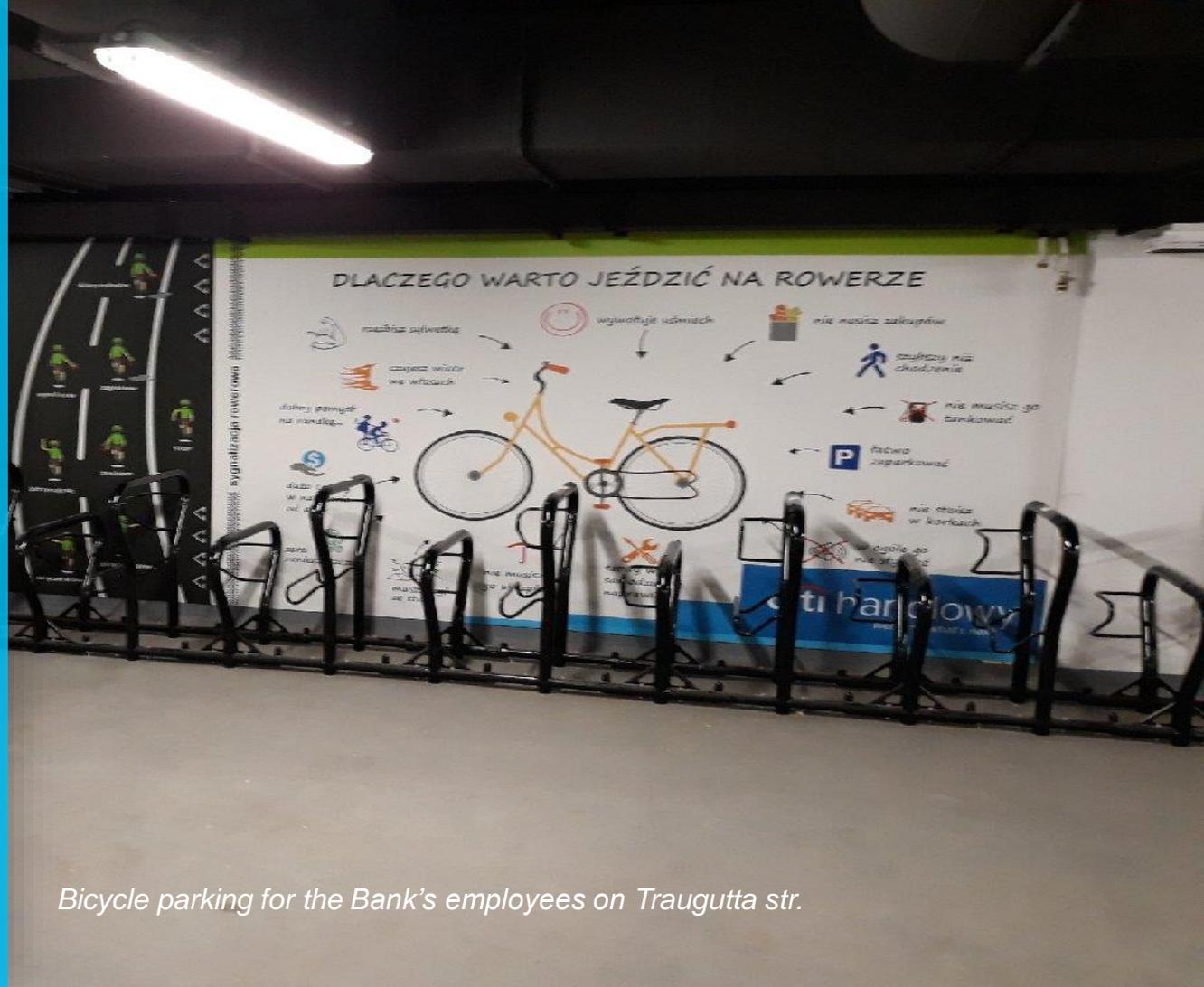
- **Western Europe** – dividend payment suspension;
- **Great Britain** – dividend payment suspension;
- **USA** – limited possibility of dividend payments;
- **Poland** – dividend payment suspension.

April 2021

- **Western Europe** – dividend payment allowed;
- **Great Britain** – dividend payment allowed;
- **USA** – dividend payment allowed;
- **Poland** – dividend payment suspension

1Q 2021

Financial results

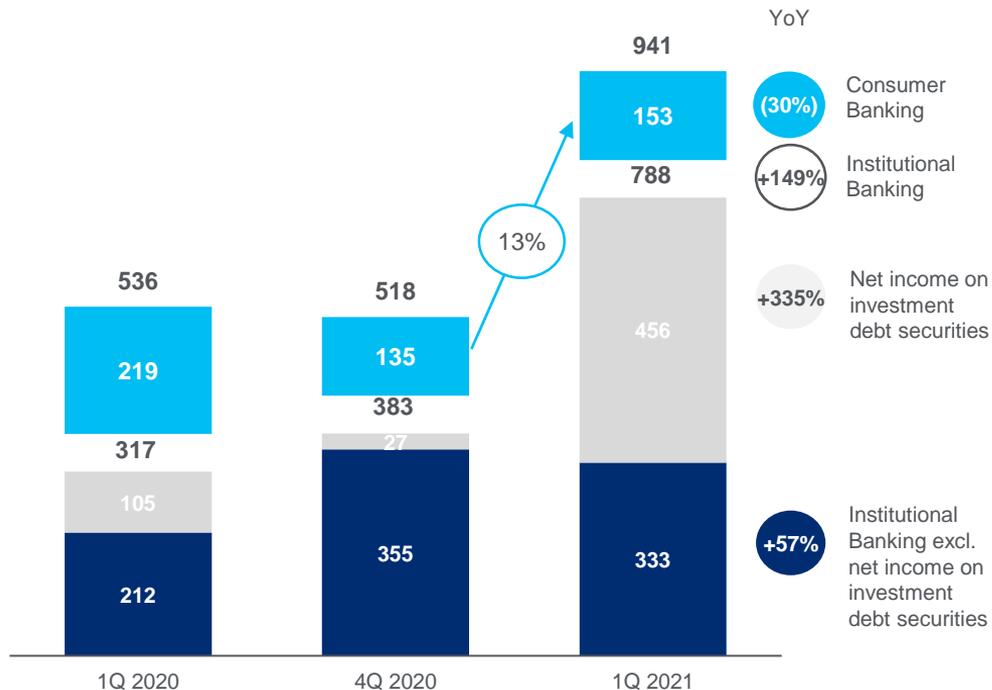


Bicycle parking for the Bank's employees on Traugutta str.

Revenue

Revenue – segment split (PLN MM)

Record high quarterly revenue affected by profit on debt securities sale



Institutional Banking revenue

Another quarter of strong client revenues in Institutional Banking



* Client revenue: net interest income and net fee and commission income

Institutional Banking growth drivers



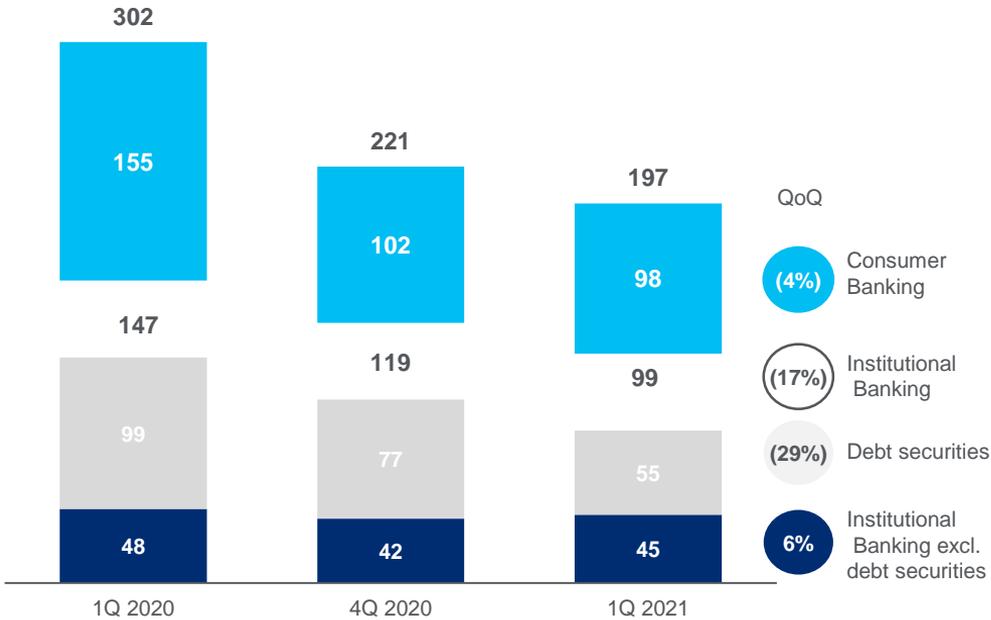
Financial and capital markets

↑ 25% YoY

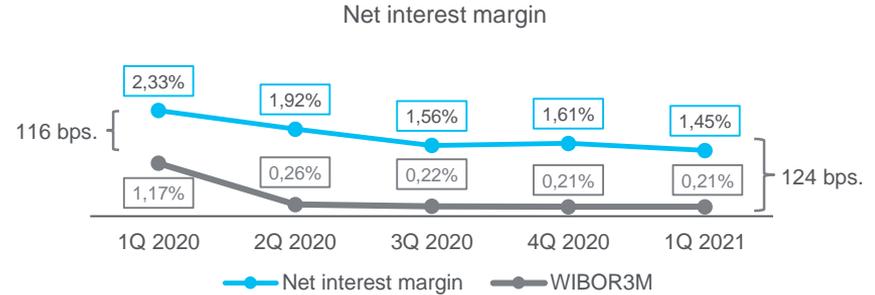
Net interest income

Net interest income – segment split (PLN MM)

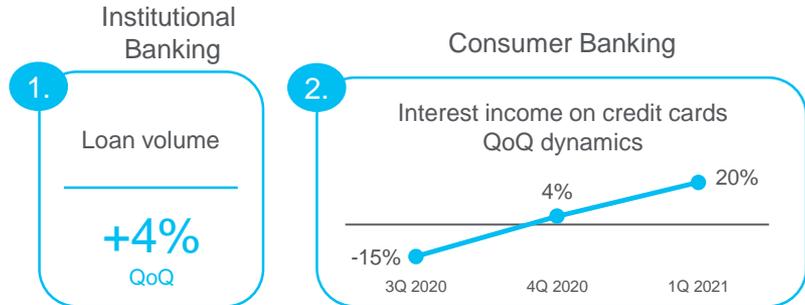
Net interest income decrease as a result of significant share of debt securities portfolio sale in 1Q 2021



Net interest margin



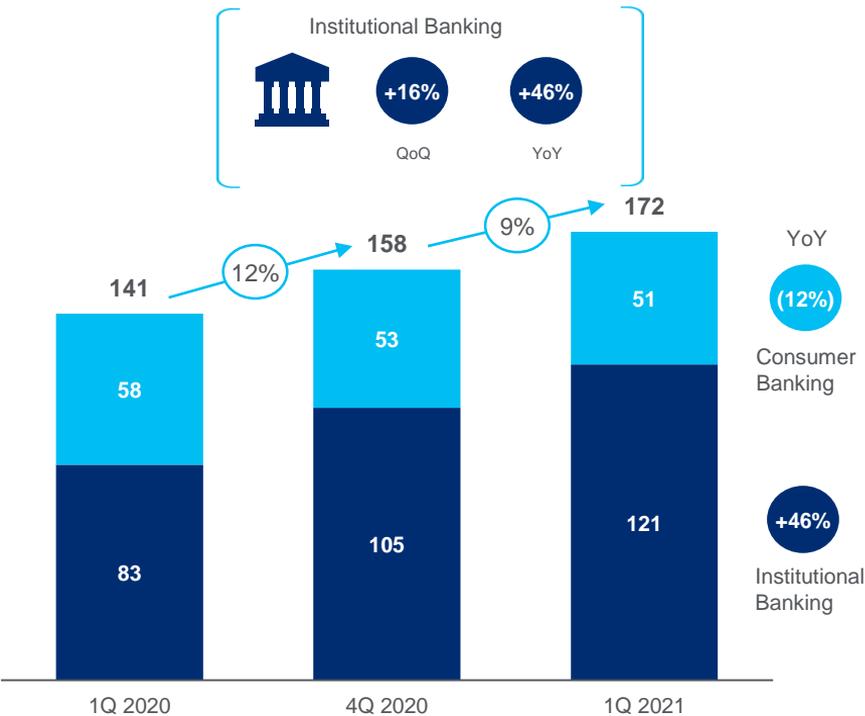
Interest margin decline mitigants



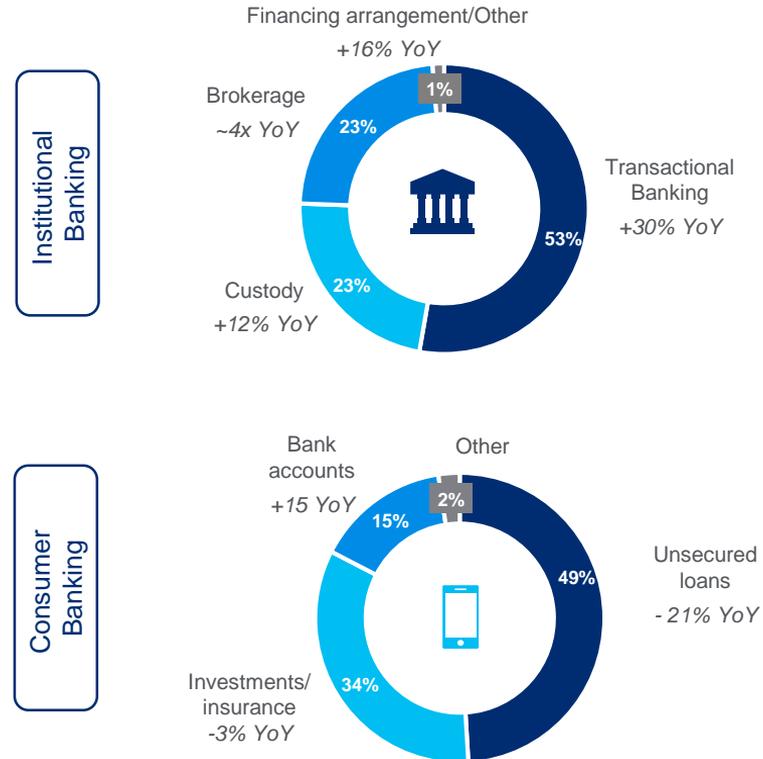
Net Fee & Commission Income

NF&CI – segment split (PLN MM)

Strong net fee and commission income in regular Institutional Banking business: custody and financing arrangement



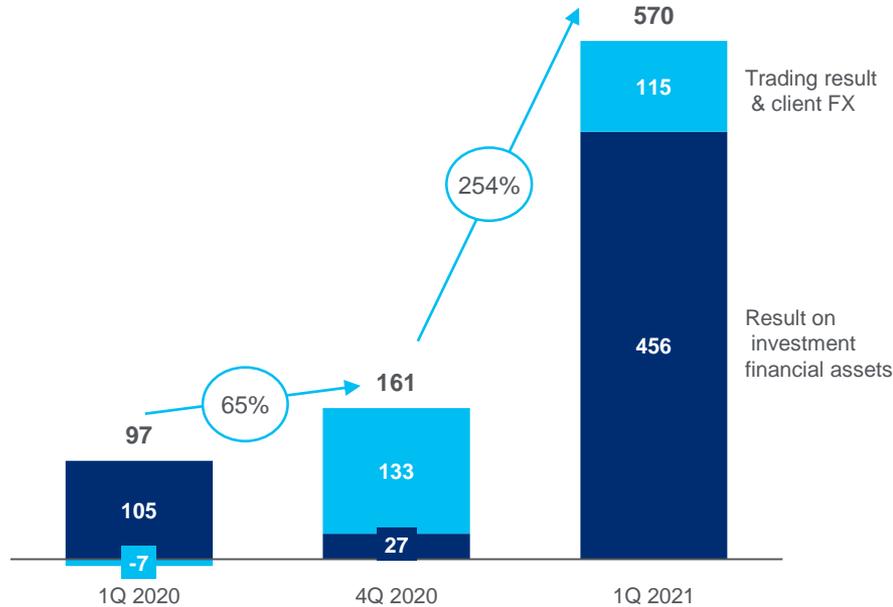
NF&CI structure and dynamics (1Q 2021)



Treasury

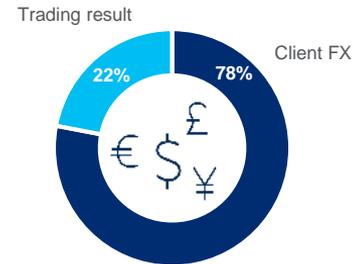
Treasury result (PLN MM)

Investment debt securities sale –
the highest result for a single quarter in history

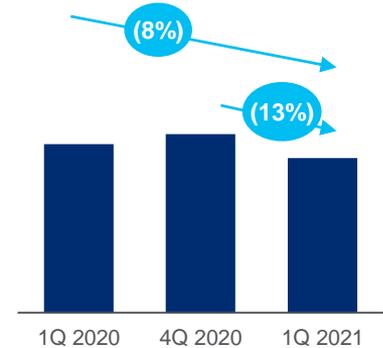


Trading result & client FX

1Q 2021 result structure



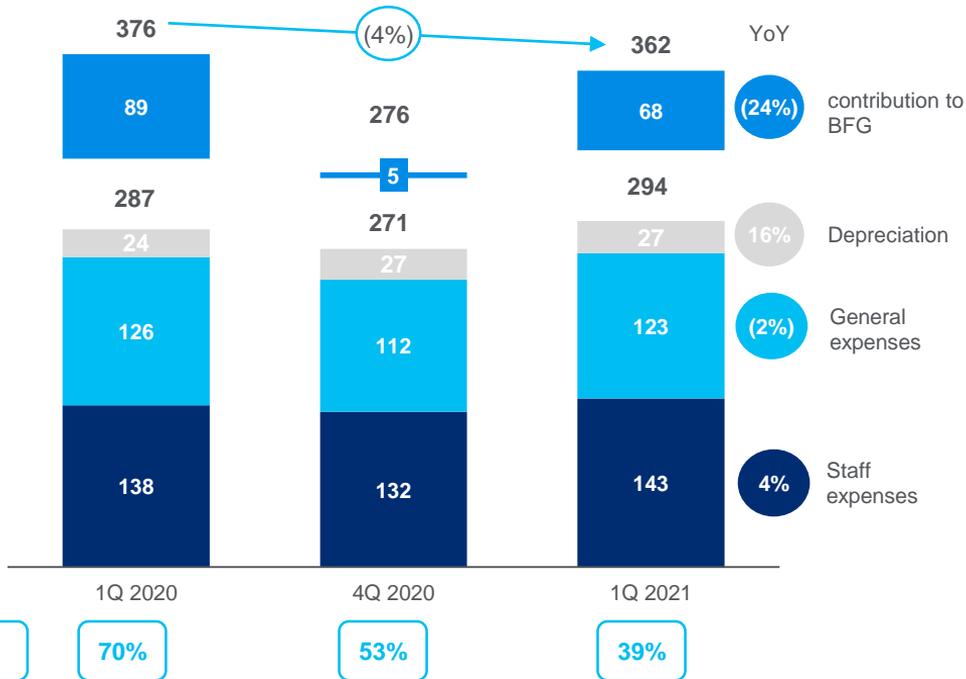
Client FX revenue



Expenses

Operating expenses (PLN MM)

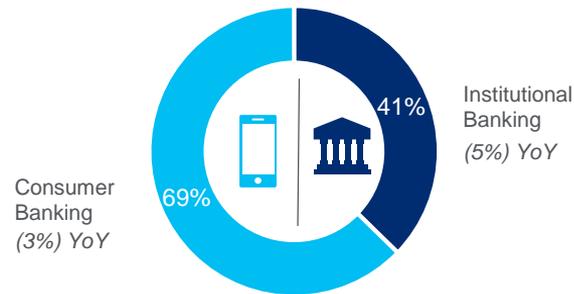
Expenses affected by lower contribution to resolution fund of Bank Guarantee Fund ("BFG")



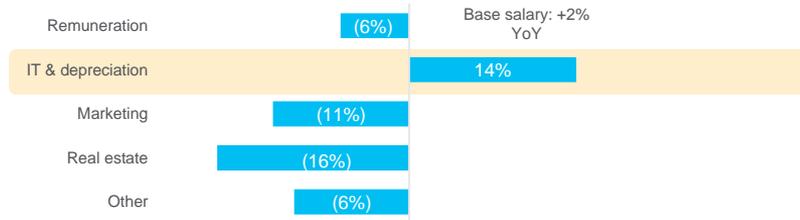
Operating expenses segment split

Consumer Banking is a dominant segment in expenses structure

(1Q 2021 expenses structure excl. BFG)



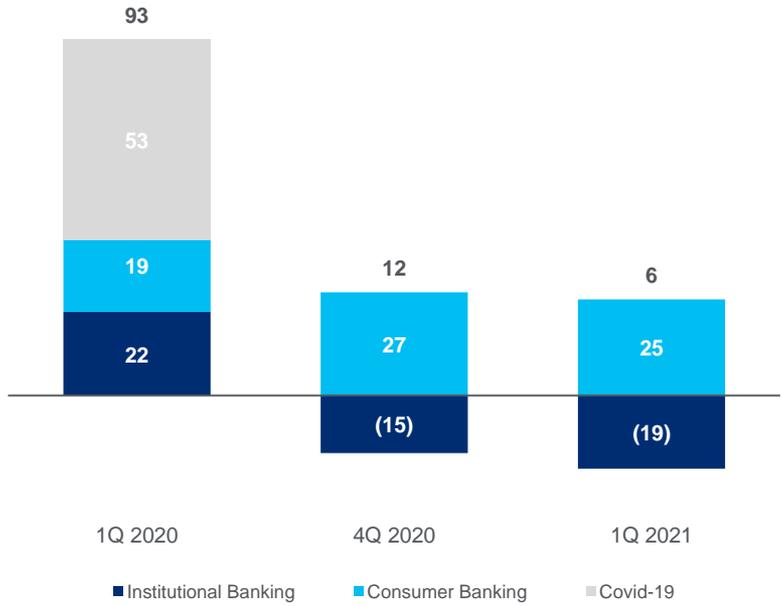
1Q 2021 – Consumer Banking expenses dynamics (YoY)



Cost of Risk

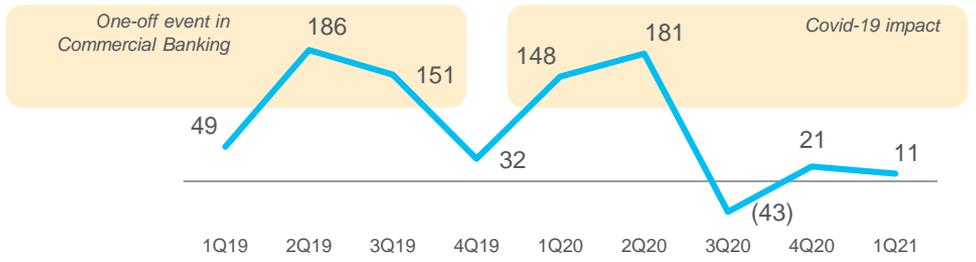
Cost of Risk of the Group¹⁾ (PLN MM)

Cost of risk reflects perspectives of economic revival in Poland



1) Positive number means net impairment creation (negative impact on P&L)

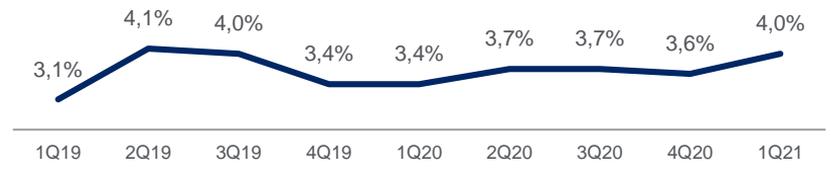
Cost of Risk of the Group^{1*)} (bps)



* Positive number means net impairment creation (negative impact on P&L)

NPL ratio for the Group (%)

NPL ratio for Q1'21 in accordance with new EBA guideline on the application of the definition of default



Financial result summary

	1Q21	4Q20	ΔQoQ	1Q20	ΔYoY
Net interest income	197	221	(11%)	302	(35%)
Net fee & commission income	172	158	9%	141	22%
Core revenue	370	379	(2%)	443	(17%)
Treasury	570	161	254%	97	485%
other	1	(22)	-	(5)	-
Total revenue	941	518	82%	536	76%
Expenses	362	276	31%	376	(4%)
Operating margin	578	242	139%	159	263%
Cost of risk	6	12	(49%)	93	(93%)
Impairment on goodwill	-	215	-	-	-
Profit before tax	536	(16)	-	35	1447%
Income tax	(141)	(42)	234%	(8)	1604%
Bank levy	(36)	(31)	17%	(31)	17%
Net profit	395	(58)	-	26	1398%
Assets	58 821	60 942	(3%)	62 278	(6%)
Net loans	22 296	21 914	2%	24 397	(9%)
Deposits	44 088	43 394	2%	46 011	(4%)
Loans / Deposits	51%	51%		53%	
TCR	21.4%	22.6%		17.0%	

Appendix



Total Bank – profit and loss account

PLN MM	1Q20	2Q20	3Q20	4Q20	1Q21	1Q21 vs.4Q20		1Q21 vs.1Q20	
						PLN MM	%	PLN MM	%
Net interest income	302	265	214	221	197	(24)	(11%)	(105)	(35%)
Net fee and commission income	141	124	137	158	172	15	9%	32	22%
Dividend income	0	11	0	0	0	(0)	(86%)	(0)	(90%)
Net gain on trading financial instruments and revaluation	(7)	102	84	133	115	(19)	(14%)	122-	
Net gain on debt investment financial assets measured at fair value through other comprehensive income	105	69	2	27	456	428	1558%	351	335%
Hedge accounting	(3)	1	3	(0)	1	1	-	3	-
Treasury	95	172	88	160	571	410	256%	476	503%
Net gain on other equity instruments	(2)	6	8	3	1	(2)	(61%)	3	-
Net other operating income	(0)	(4)	(7)	(25)	(1)	24	(96%)	(1)	139%
Revenue	536	574	440	518	941	423	82%	405	76%
Expenses	(353)	(269)	(245)	(249)	(335)	(86)	34%	18	(5%)
Depreciation	(24)	(30)	(26)	(27)	(27)	(1)	3%	(4)	16%
Expenses and depreciation	(376)	(299)	(271)	(276)	(362)	(86)	31%	14	(4%)
Net impairment allowances on non-financial assets	-	-	-	(215)	-	215	(100%)	-	-
Operating margin	159	276	169	242	578	336	139%	419	263%
Profit/(loss) on sale of tangible fixed assets	(0.4)	(0.0)	(0.0)	(0.1)	(0.3)	(0)	378%	0	(31%)
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	(93)	(110)	25	(12)	(6)	6	(49%)	87	(93%)
Share in profits / (losses) of entities valued at the equity method	-	-	-	-	-	-	-	-	-
Tax on certain financial institutions	(31)	(33)	(29)	(31)	(36)	(5)	17%	(5)	17%
EBIT	35	133	166	(16)	536	552-		501	1447%
Corporate income tax	(8)	(44)	(51)	(42)	(141)	(99)	234%	(133)	1604%
Net profit	26	89	115	(58)	395	453-		368	1398%
C/I ratio	70%	52%	62%	53%	39%				

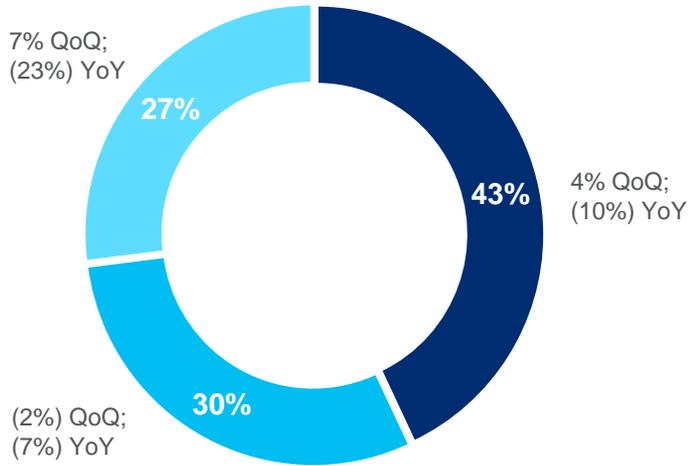
Institutional Banking – profit and loss account

PLN MM	1Q20	2Q20	3Q20	4Q20	1Q21	1Q21 vs. 4Q20		1Q21 vs. 1Q20	
						PLN MM	%	PLN MM	%
Net interest income	147	156	128	119	99	(20)	(17%)	(48)	(32%)
Net fee and commission income	83	82	79	105	121	16	16%	38	46%
Dividend income	0	1	0	0	0	(0)	(86%)	(0)	(67%)
Net gain on trading financial instruments and revaluation	(16)	94	76	126	107	(18)	(14%)	124	-
Net gain on debt investment financial assets measured at fair value through other comprehensive income	105	69	2	27	456	428	1558%	351	335%
Hedge accounting	(3)	1	3	(0)	1	1	-	3	-
Treasury	86	165	80	152	564	411	270%	478	558%
Net gain on other equity instruments	(2)	6	0	3	1	(2)	(61%)	3	-
Net other operating income	3	(2)	2	3	3	0	8%	(0)	(12%)
Revenue	317	409	289	383	788	406	106%	471	149%
Expenses	(191)	(120)	(108)	(107)	(182)	(75)	71%	9	(5%)
Depreciation	(6)	(5)	(5)	(5)	(5)	(0)	3%	0	(7%)
Expenses and depreciation	(197)	(125)	(113)	(112)	(188)	(76)	68%	10	(5%)
Operating margin	120	284	176	271	601	330	122%	481	401%
Profit/(loss) on sale of tangible fixed assets	-0.1	0.0	0.0	0.0	0.0	(0)	105%	0	(68%)
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	(57)	(81)	41	15	19	4	27%	76	-
Tax on certain financial institutions	(24)	(26)	(23)	(24)	(29)	(6)	23%	(5)	20%
Share in profits / (losses) of entities valued at the equity method	-	-	-	-	-	-	-	-	-
EBIT	38	176	194	262	590	328	125%	552	1435%
C/I ratio	62%	31%	39%	29%	24%				

Institutional Banking – assets and liabilities

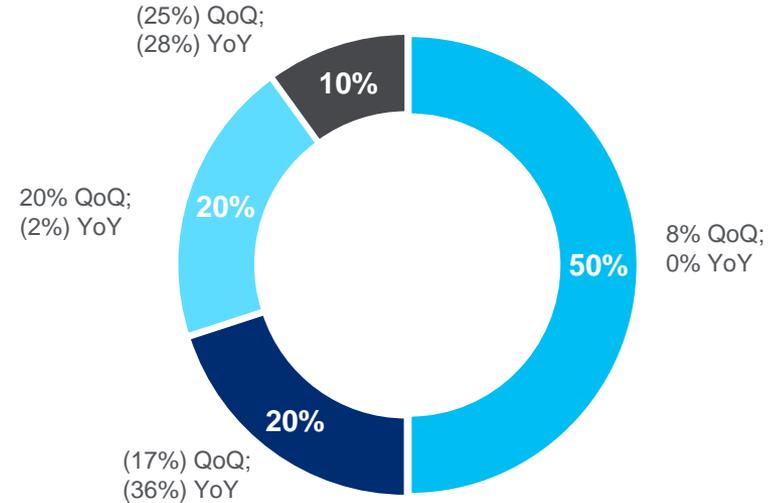
Management view

Assets



■ Corporate Clients
 ■ Global Clients
 ■ Commercial Banking

Liabilities



■ Global Clients
 ■ Corporate Clients
 ■ Commercial Banking
 ■ Public sector

Consumer Banking – profit and loss account

PLN MM	1Q20	2Q20	3Q20	4Q20	1Q21	1Q21 vs. 4Q20		1Q21 vs. 1Q20	
						PLN MM	%	PLN MM	%
Net interest income	155	109	86	102	98	(4)	(4%)	(57)	(37%)
Net fee and commission income	58	41	58	53	51	(2)	(4%)	(7)	(12%)
Dividend income	0	10	0	-	-	-	-	(0)	(100%)
Net gain on trading financial instruments and revaluation	9	7	7	8	7	(1)	(10%)	(2)	(21%)
Net gain on other equity instruments	-	-	8	-	-	-	-	-	-
Net other operating income	(4)	(2)	(9)	(27)	(4)	24	(87%)	(0)	4%
Revenue	219	166	151	135	153	17	13%	(66)	(30%)
Expenses	(161)	(149)	(137)	(142)	(153)	(10)	7%	9	(5%)
Depreciation	(18)	(25)	(21)	(21)	(22)	(1)	3%	(4)	24%
Expenses and depreciation	(179)	(174)	(158)	(164)	(175)	(11)	7%	4	(2%)
Net impairment allowances on non-financial assets	-	-	-	(215)	-	215	(100%)	-	-
Operating margin	40	(8)	(7)	(29)	(22)	6	(23%)	(62)	-
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	(37)	(29)	(16)	(27)	(25)	2	(7%)	11	(31%)
Tax on certain financial institutions	(7)	(6)	(6)	(7)	(7)	0	(6%)	(0)	4%
EBIT	(4)	(43)	(29)	(278)	(55)	223	(80%)	(51)	1326%
C/I ratio	82%	105%	105%	121%	114%				

Balance Sheet – assets

PLN B	End of period					1Q21 vs. 4Q20		1Q21 vs. 1Q20	
	1Q20	2Q20	3Q20	4Q20	1Q21	PLN B	%	PLN B	%
Cash and balances with the Central Bank	0.6	2.2	2.2	4.5	14.9	10.4	232%	14.2	2222%
Amounts due from banks	2.0	0.8	1.6	0.6	0.8	0.2	39%	(1.2)	(61%)
Financial assets held-for-trading	9.2	6.7	5.5	4.4	5.9	1.6	37%	(3.3)	(36%)
Debt financial asstes measured at fair value through other comprehensive income	23.5	25.3	25.7	27.3	12.6	(14.7)	(54%)	(10.9)	(46%)
Customer loans	24.4	23.4	22.7	21.9	22.3	0.4	2%	(2.1)	(9%)
Financial sector entities	3.5	4.0	3.7	3.7	3.8	0.1	2%	0.3	8%
including reverse repo receivables	-	0.0	0.0	-	0.0	0.0	-	0.0	-
Non-financial sector entities	20.8	19.4	19.0	18.2	18.5	0.3	2%	(2.4)	(11%)
Institutional Banking	13.6	12.2	11.7	11.0	11.4	0.5	4%	(2.2)	(16%)
Consumer Banking	7.2	7.2	7.3	7.2	7.0	(0.2)	(3%)	(0.2)	(3%)
Unsecured receivables	5.3	5.2	5.2	5.0	4.8	(0.2)	(5%)	(0.5)	(9%)
Credit cards	2.7	2.5	2.5	2.5	2.4	(0.1)	(5%)	(0.3)	(11%)
Cash loans	2.8	2.6	2.6	2.5	2.4	(0.1)	(4%)	(0.4)	(14%)
Other unsecured receivables	0.0	0.0	0.0	0.0	0.0	(0.0)	(11%)	0.0	11%
Mortgage	2.0	2.0	2.1	2.2	2.2	0.0	2%	0.3	15%
Other assets	2.5	2.5	2.5	2.3	2.3	(0.0)	(2%)	(0.2)	(9%)
Total assets	62.3	60.9	60.2	60.9	58.8	(2.1)	(3%)	(3.5)	(6%)

Balance Sheet – liabilities and equity

	End of period					1Q21 vs. 4Q20		1Q21 vs. 1Q20	
	1Q20	2Q20	3Q20	4Q20	1Q21	PLN B	%	PLN B	%
PLN B									
Liabilities due to banks	3.7	2.5	2.3	5.1	2.8	(2.4)	(46%)	(0.9)	(26%)
Financial liabilities held-for-trading	4.0	3.6	3.5	3.7	3.1	(0.5)	(15%)	(0.9)	(22%)
Financial liabilities due to customers	46.0	45.9	45.6	43.4	44.1	0.7	2%	(1.9)	(4%)
Financial sector entities - deposits	6.8	5.8	6.5	4.6	3.5	(1.1)	(23%)	(3.3)	(49%)
Non-financial sector entities - deposits	38.7	39.8	38.7	38.6	40.3	1.7	4%	1.6	4%
Institutional Banking	24.4	25.5	24.3	23.1	24.1	1.0	4%	(0.3)	(1%)
Consumer Banking	14.3	14.3	14.4	15.5	16.2	0.7	4%	1.9	13%
Other liabilities	1.4	1.4	1.2	1.2	1.3	0.1	6%	(0.1)	(10%)
Total liabilities	55.1	53.4	52.6	53.4	51.2	(2.1)	(4%)	(3.9)	(7%)
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	0.2	0.4	0.4	0.5	0.1	(0.37)	(81%)	(0.07)	(47%)
Other reserves	2.9	2.8	2.8	2.8	2.8	0.0	0%	(0.1)	(3%)
Retained earning	0.6	0.6	0.6	0.6	0.8	0.2	27%	0.2	37%
Total Equity	7.1	7.5	7.6	7.6	7.6	0.0	0%	0.5	6%
			0	0	0				
Total liabilities & equity	62.3	60.9	60.2	60.9	58.8	(2.1)	(3%)	(3.5)	(6%)
			0	0	0				
Loans / Deposits ratio	53%	51%	50%	51%	51%				
Total Capital Ratio	17.0%	20.0%	20.4%	22.6%	21.4%				
NPL*	3.4%	3.7%	3.7%	3.6%	4.0%				

*as reported, incl. reverse repo