

August 24, 2016

www.citihandlowy.pl

Bank Handlowy w Warszawie S.A.

Bank Handlowy w Warszawie S.A. Q2 consolidated financial results

citi handlowy[®]

Citi Handlowy Q2 2016 summary

Volumes growth in line with declarations

- Consequent **institutional clients volumes growth**:
 - Loans **+6%** YoY
 - Current accounts **+19% YoY**
- June FX volume: **+37%** vs. January – May 2016 average

- **Retail client volumes build-up** continued:
 - Loans **+5%** YoY
 - Current accounts **+16%** YoY
- **Growth of investment products sale** : **+20%** QoQ

Financial results and profitability

- **Solid net profit in Q2 2016**: PLN **222** MM, **+48%** YoY, **+113%** QoQ
- **Revenue increase**: **+24%** YoY, **+17%** QoQ (**+6%** YoY, **+17%** QoQ excl. impact of Visa transaction)
- **Operational expenses decrease**: **-3%** YoY, **-4%** QoQ
- **Profitability ratio above sector**: ROA = **1.2%** vs. **1.0%** in Q1'2016 (banking sector = **0.7%**), ROTE = **11.7%** vs. **10.3%** in Q1'2016 (banking sector **6.7%**)
- **Operating leverage** at the level of **27%** YoY, **42%** QoQ (**9%** YoY, **21%** QoQ excl. Visa impact)

SMART Banking Ecosystem

- **Focus on innovative solutions in response to Clients expectations**: advanced work on **Redesign+** new edition of Citibank Online
- Implementation of **innovative sale support tool**: **CitiPlanner for iPad**
- **New initiative Mini-Smart** as a component of SMART ecosystem

Security and stability guarantee

- **Strong capital position**: Tier1 = **17.0%**, banking sector = **15.7%** (banking sector data as end of 1Q'16)
- **Capital adequacy ratios significantly above regulatory requirement** (**+ 6.5 p.p.** Tier 1 and **+3.5 p.p.** CAR), despite planned imposition of additional capital buffer
- **Dividend payout for 2015 income**, yield = **6.4%**
- **Continuous improvement of loan portfolio quality**: NPL = **3.3%** (banking sector = **6.4%**)

Execution of plan in Retail Segment

Innovative and effective distribution channels in Smart Banking Ecosystem concept

SMART branches

16 SMART branches



NEW!
Mini-SMART



Cloud banking

NEW!

CitiPlanner for iPad – tool for Wealth Management advisors



- **Mobility** – enable service in every location
 - **Unique Client service process** – electronic signature
 - **Convenience** – signed documents are sent to Client's e-mail address
- 31 advisors using application

Universal Bankers – 93 advisors (+38 YoY)

- **+51% YoY** issued credit cards
- **+52% YoY** opened Citi Priority accounts

Sale Automation 2.0

- Entirely **electronic process** of credit card sale (signing via mobile devices)
- Instant credit decision
- On-line credit bureau prescreening



Internet banking platform development

Nadchodzi nowy Citibank® Online!
Testuj go razem z nami!



Modern, Innovative, Responsive, Intuitive.

1st. stage of Citibank Online platform implementation:

- ✓ New log-in screen
- ✓ Modern and intuitive design
- ✓ New menu and system navigation
- ✓ New way of presenting information on credit cards and accounts
- ✓ Possibility to change the currency of available funds and platform language by one click

Wealth Management

Citigold Private Client

Citigold

Citi Priority

Investment product sale

+8% QoQ

+25% QoQ

+65% QoQ

+4% YoY Growth of clients number in key segments

Competitive and attractive investment products offer:

24 new investment funds

20 issues of investment certificates

Consequent strategy execution in credit card area

+52% YoY **+4% QoQ**

+7% YoY **+5% QoQ**

Citi Simplicity
80%

Share in total credit card acquisition

• Credit cards sale increase



• Credit card loans volume growth



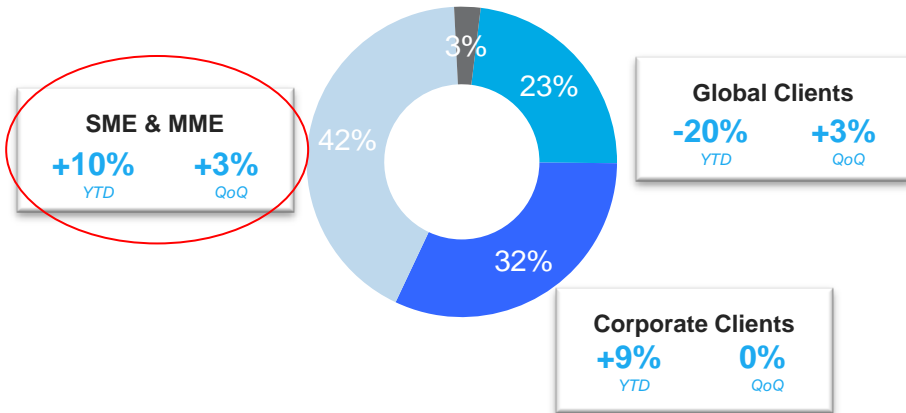
• Citi Simplicity card – response to Clients needs of clear rules and transparent offer



Solid base of Institutional Banking

Institutional Banking Development

Systematic build-up of profitable portfolio



Support for strategic investment

European Investment Bank

PLN 1.75 B

Syndicated Bonds issuance

Citi Handlowy role:
Joint Lead Manager,
Bookrunner

State Treasury Company

PLN 750 MM

Bond issue program

Citi Handlowy role:
Organizer,
Dealer

Acquisition

89

New SME/MME clients

15

New relations with Strategic Clients and Global Clients

Strategic focus on clients during period of high uncertainty on financial market

#1

In the contest of Ministry of Finance



Treasury Securities Dealer

Leader in turnover on Treasury BondSpot Poland market

Leader in terms of market making on Treasury BondSpot Poland

Leading position on financial markets

FX volume

+37% in June vs. January – May 2016 average

CitiFX PULSE

Brokerage

10.3% Market share

Leader in equity turnover



Custody

43% (+44 bps YoY) Market share

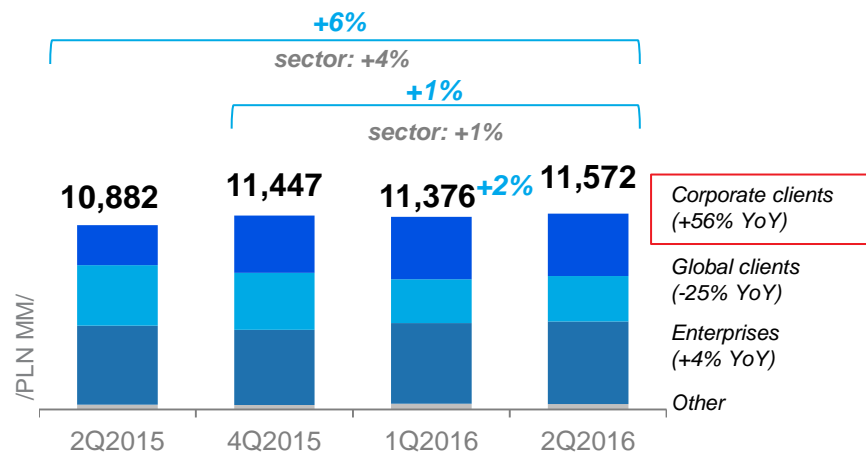
Leader in custody services

Securities Services
Usługi powiernictwa papierów wartościowych

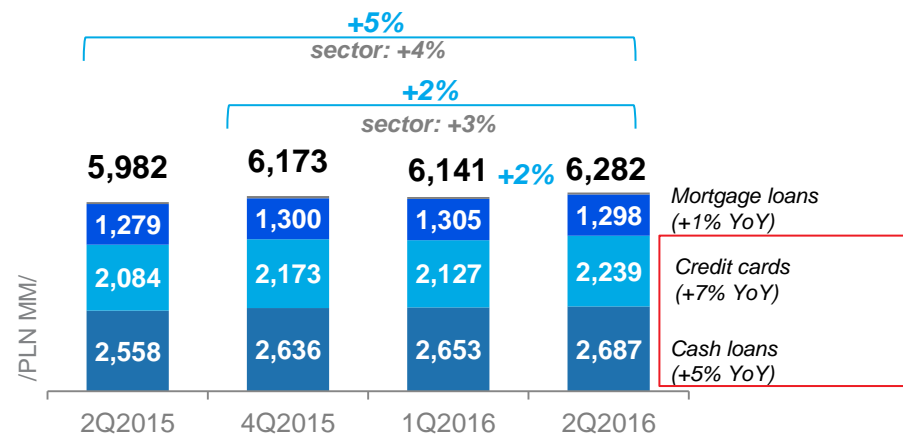
Client volumes

Institutional clients loans – non banking sector

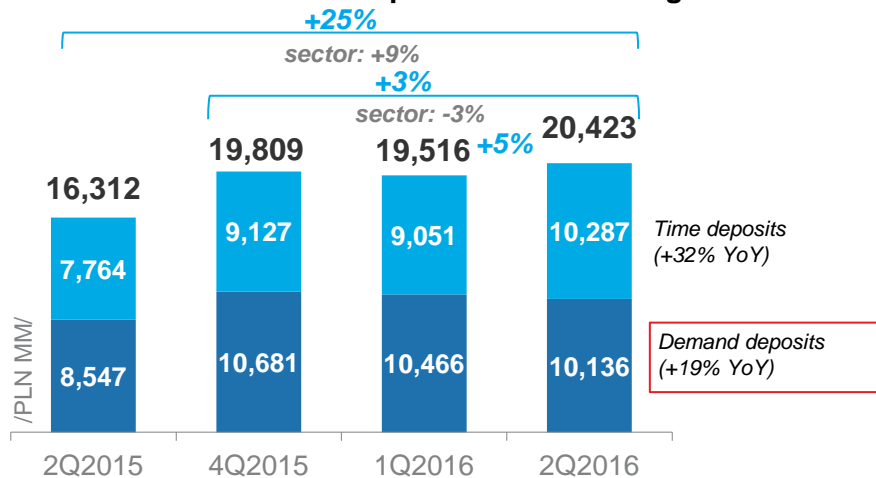
(excl. reverse repo)



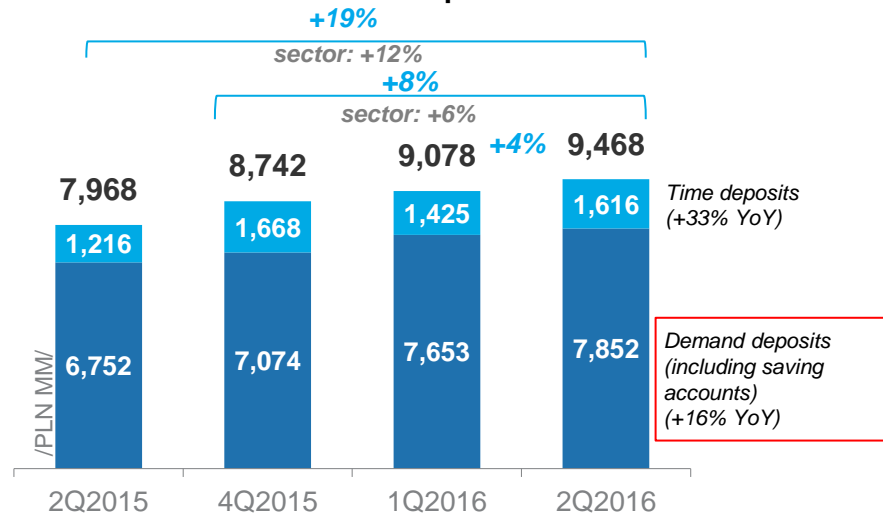
Individual clients loans



Institutional clients deposits – non banking sector



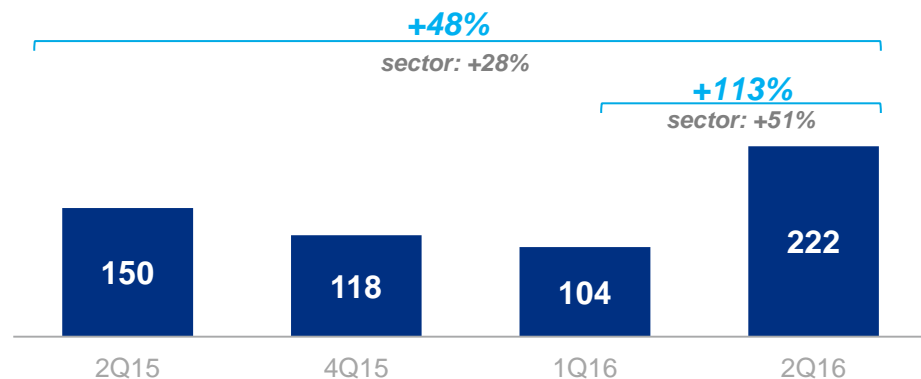
Individual clients deposits



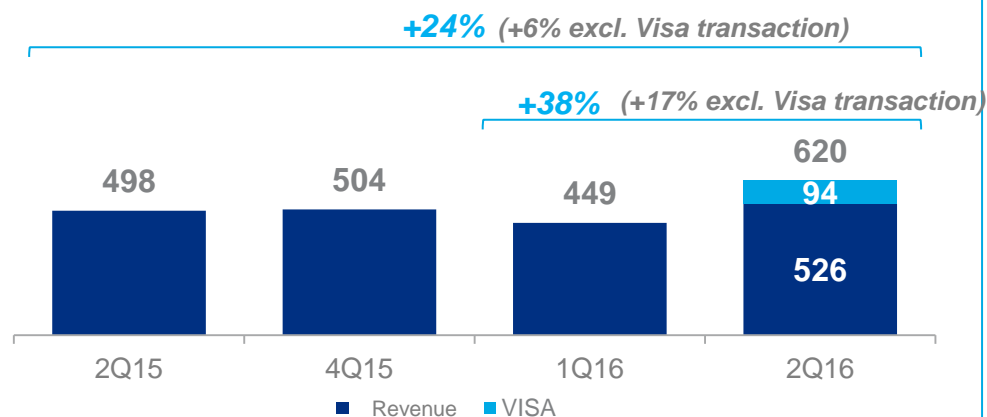
Note: Excluding public sector deposits

Revenue and net income

Net income (PLN MM)



Revenue (PLN MM)



2Q'16 key financial ratios

	Bank*	Sector	TOP 3***
ROA	1.2%	0.7%	✓
ROTE	11.7%	6.7%	✓
Tier 1**	17.0%	15.7%	✓
NPL	3.3%	6.4%	✓

* Ratios calculated on the basis of consolidated net income

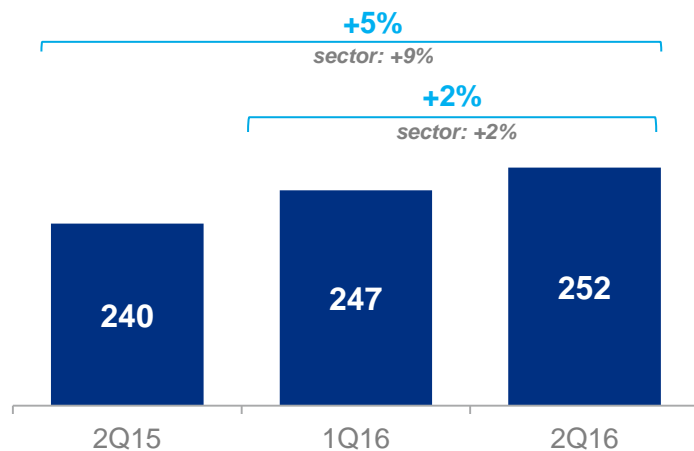
** Tier1 ratio for banking sector as of 1Q'16 (no data for 2Q'16)

*** Among 7 banks listed on WSE

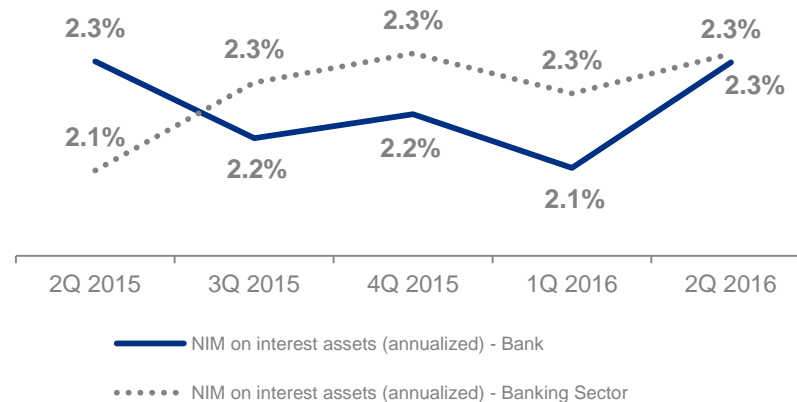
Main safety and profitability ratios above sector

Revenue split

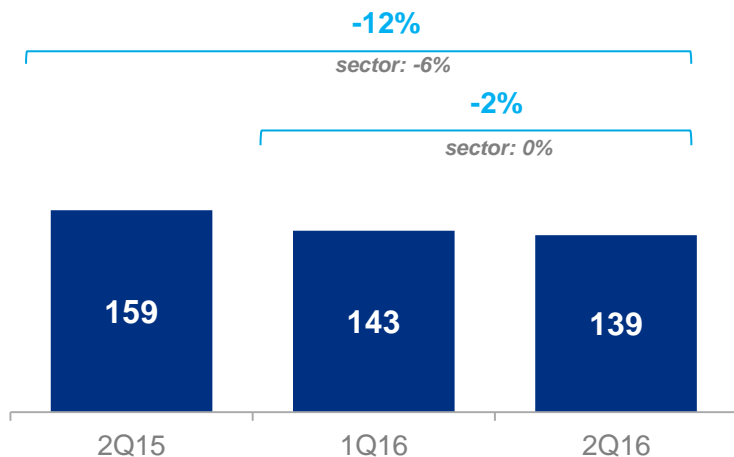
Net interest income (PLN MM)



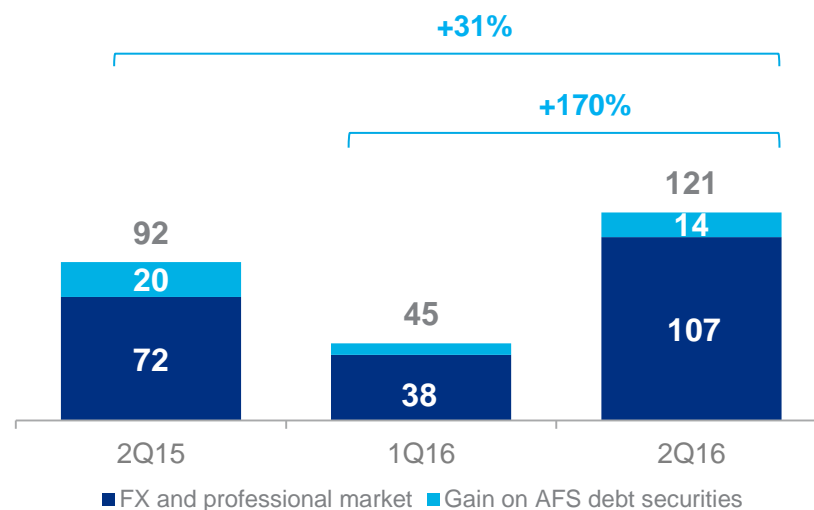
Net interest margin – Bank vs. sector



Net fee & commission income (PLN MM)

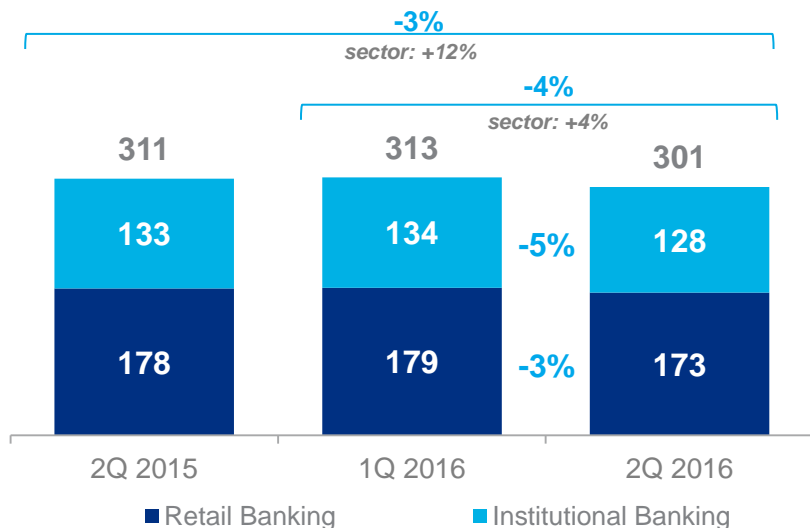


Treasury result (PLN MM)



Operating expenses and cost of credit

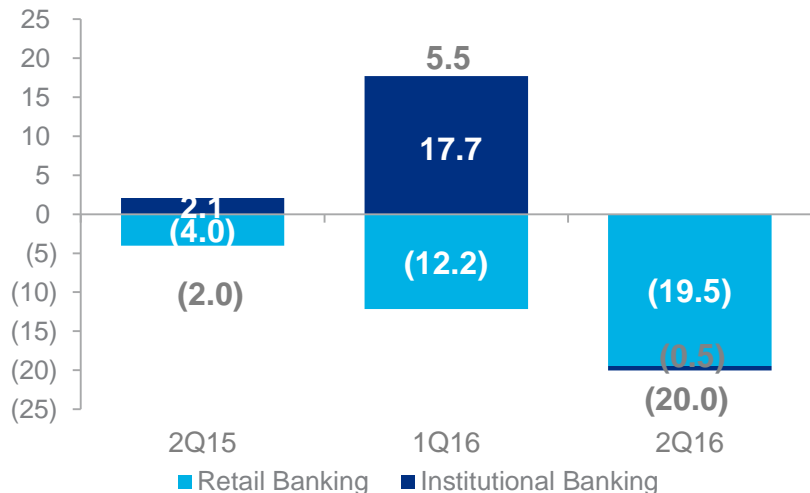
Operational expenses and amortization (PLN MM)



Comments to 2Q'16 results (year over year changes):

- Consequent operating expenses control
- Bank operating expenses decrease mainly due to lower telecommunication, computer equipment and employment costs.
- Cost / Income ratio at the level of 49%

Net impairment result (PLN MM)

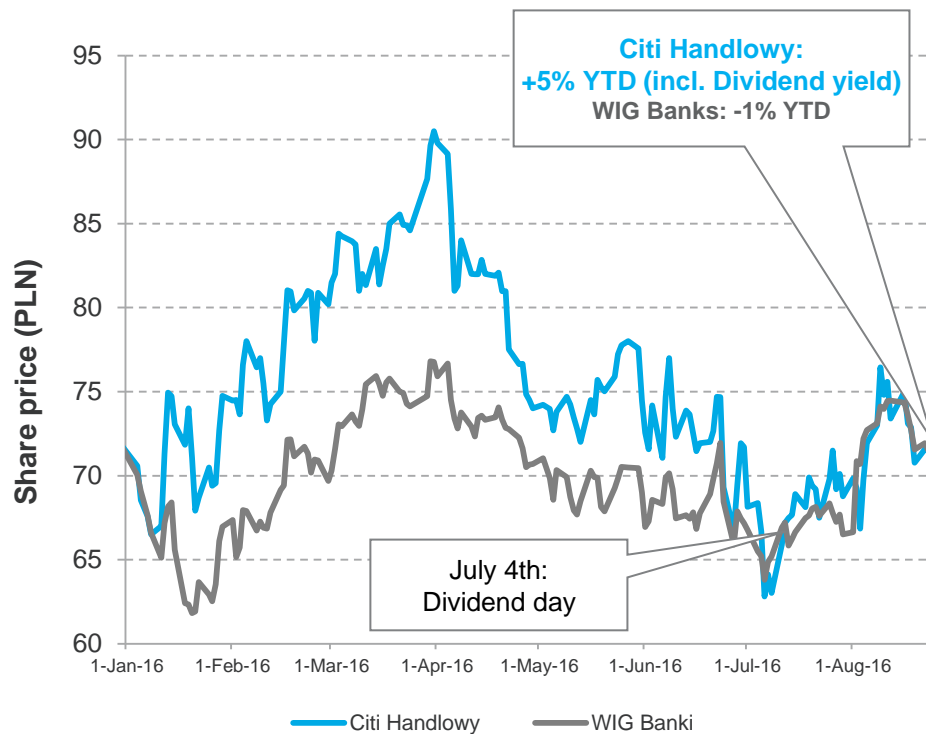


Comments to 2Q'16 results (year over year changes):

- Maintaining low level of non-performing loans ratio (NPL): retail banking 5.4% (decrease by 2.2 p.p.), institutional banking 2.2% (decrease by 1.1 p.p.)
- Provision coverage ratio better than in sector: 85% (vs. 59% in banking sector)

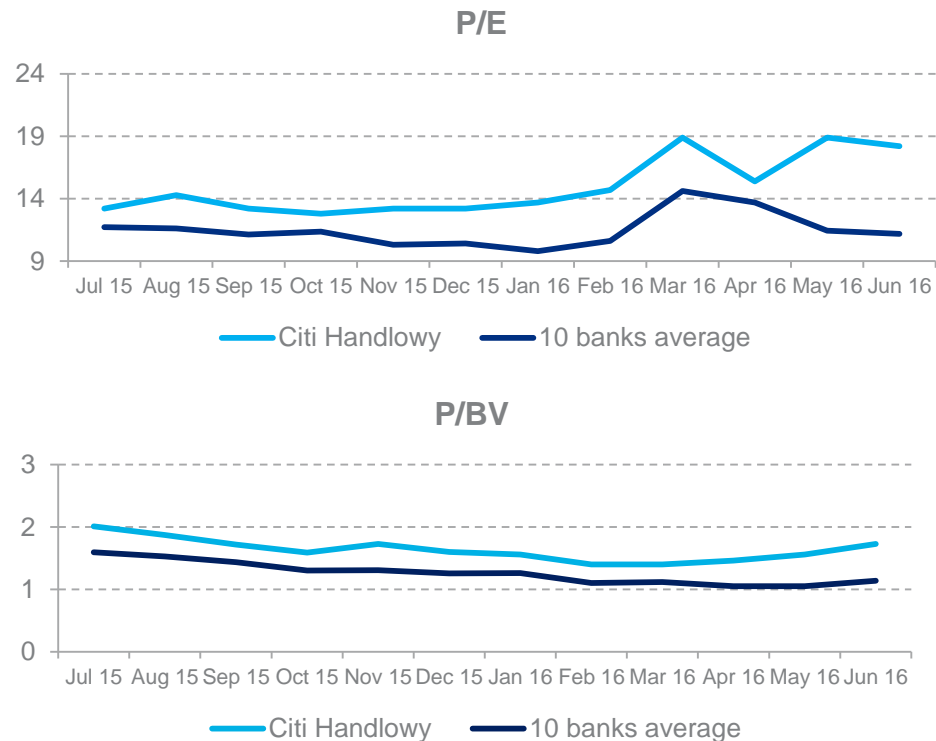
Change in Bank's share price

Citi Handlowy share price vs. WIG Banks index since the beginning of 2016



Note: Last quotation from August 23th 2016 (Citi Handlowy: PLN 71.48)

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



Dividends paid by Citi Handlowy (2009-2015)

	2009	2010	2011	2012	2013	2014	2015
Dividend yield	7.1%	7.1%	3.3%	7.1%	7.0%	7.4%	6.4%

Appendix

Income statement – Bank

PLN MM	2Q15	3Q15	4Q15	1Q16	2Q16	2Q16 vs. 1Q16		2Q16 vs. 2Q15	
						PLN MM	%	PLN MM	%
Net interest income	240	237	243	247	252	5	2%	12	5%
Interest income	290	293	311	307	316	9	3%	27	9%
Interest expenses	(50)	(57)	(96)	(60)	(64)	(4)	7%	(15)	29%
Net fee and commission income	159	169	153	143	139	(4)	(2%)	(20)	(12%)
Dividend income	7	0	0	0	7	7	-	0	2%
Gains on AFS debt securities	20	-	26	7	14	8	116%	(6)	(30%)
FX and professional market	72	56	79	38	107	69	180%	35	49%
Hedge accounting	1	4	3	4	3	(1)	(18%)	2	274%
Treasury	93	60	109	49	125	76	154%	32	34%
Net gain on equity investment instruments	-	2	-	-	94	94	-	94	-
Net other operating income	(1)	(9)	(1)	10	2	(8)	(78%)	4	-
Revenue	498	459	504	449	620	171	38%	122	24%
Expenses	(294)	(282)	(337)	(295)	(284)	11	(4%)	10	(3%)
Depreciation	(18)	(18)	(18)	(19)	(17)	1	(6%)	0	(1%)
Expenses and depreciation	(311)	(299)	(355)	(313)	(301)	12	(4%)	10	(3%)
Operating margin	186	160	149	136	318	182	134%	132	71%
Profit/(loss) on sale of tangible fixed assets	0	0	0	0	0	0	767%	0	15%
Net impairment losses	(2)	22	0	6	(20)	(26)	-	(18)	912%
Share in profits / (losses) of entities valued at the equity method	0	0	(0)	(0)	0	0	-	0	119%
Tax on certain financial institutions	-	-	-	(13)	(18)	(5)	40%	(18)	-
EBIT	184	183	149	128	280	152	118%	96	52%
Corporate income tax	(34)	(42)	(31)	(24)	(58)	(34)	142%	(24)	70%
Net profit	150	141	118	104	222	118	113%	72	48%
C/I ratio	63%	65%	70%	70%	49%				

Institutional Banking – income statement

PLN MM	2Q15	3Q15	4Q15	1Q16	2Q16	2Q16 vs. 1Q16		2Q16 vs. 2Q15	
						PLN MM	%	PLN MM	%
Net interest income	105	98	106	107	113	6	8%	8	8%
Interest income	144	145	163	155	168	13	16%	24	16%
Interest expenses	(39)	(46)	(85)	(48)	(54)	(7)	40%	(15)	40%
Net fee and commission income	70	75	68	66	67	1	(5%)	(3)	(5%)
Dividend income	1	0	0	0	1	1	(42%)	(1)	(42%)
Gains on AFS debt securities	20	-	26	7	14	8	(30%)	(6)	(30%)
FX and professional market	64	47	76	30	98	68	54%	34	54%
Hedge accounting	1	4	3	4	3	(1)	274%	2	274%
Treasury	85	52	105	41	116	75	36%	31	36%
Net gain on equity investment instruments	-	2	-	-	27	27	-	27	-
Net other operating income	2	3	7	9	5	(4)	239%	4	239%
Revenue	264	231	286	224	330	106	25%	66	25%
Expenses	(127)	(122)	(164)	(129)	(123)	6	(4%)	5	(4%)
Depreciation	(6)	(6)	(6)	(6)	(5)	0	(9%)	1	(9%)
Expenses and depreciation	(133)	(128)	(169)	(134)	(128)	6	(4%)	5	(4%)
Operating margin	130	103	117	89	202	112	55%	71	55%
Profit/(loss) on sale of tangible fixed assets	0	0	0	0	0	0	-	0	-
Net impairment losses	2	2	3	18	(1)	(18)	-	(3)	-
Tax on certain financial institutions	-	-	-	(10)	(13)	(3)	-	-	-
Share in profits / (losses) of entities valued at the equity method	0	0	(0)	(0)	0	0	119%	0	119%
EBIT	133	105	120	97	188	91	42%	56	42%
C/I ratio	51%	55%	59%	60%	39%				

Retail Banking – income statement

PLN MM	2Q15	3Q15	4Q15	1Q16	2Q16	2Q16 vs. 1Q16		2Q16 vs. 2Q15	
						PLN MM	%	PLN MM	%
Net interest income	135	138	137	140	139	(1)	(1%)	4	3%
Interest income	145	149	148	152	149	(3)	(2%)	3	2%
Interest expenses	(11)	(10)	(11)	(12)	(10)	2	(19%)	1	(9%)
Net fee and commission income	88	94	85	77	72	(5)	(6%)	(16)	(18%)
Dividend income	6	-	-	-	6	6	-	1	14%
FX and professional market	8	9	3	8	9	1	10%	1	7%
Net other operating income	(3)	(12)	(8)	1	(3)	(4)	-	(0)	2%
Revenue	234	229	217	226	223	(2)	(1%)	(11)	(5%)
Expenses	(167)	(160)	(174)	(166)	(161)	5	(3%)	5	(3%)
Depreciation	(12)	(12)	(12)	(13)	(12)	1	(8%)	(0)	3%
Expenses and depreciation	(178)	(171)	(185)	(179)	(173)	6	(3%)	5	(3%)
Operating margin	56	57	32	47	50	3	7%	(6)	(10%)
Net impairment losses	(4)	21	(2)	(12)	(19)	(7)	60%	(15)	383%
Tax on certain financial institutions	-	-	-	(3)	(5)	(2)	50%	(5)	-
EBIT	52	78	29	31	92	61	196%	40	77%
C/I ratio	76%	75%	85%	79%	78%				

Balance sheet

PLN B	End of period					2Q16 vs. 4Q15		2Q16 vs. 2Q15	
	2Q15	3Q15	4Q15	1Q16	2Q16	PLN B	%	PLN B	%
Cash and balances with the Central Bank	5,3	1,3	2,2	1,1	0,8	(1,3)	(62%)	(4,5)	(85%)
Amounts due from banks	3,6	1,4	0,8	0,8	0,8	0,0	2%	(2,8)	(79%)
Financial assets held-for-trading	9,6	8,5	7,0	8,1	2,3	(4,7)	(67%)	(7,4)	(76%)
Debt securities available-for-sale	13,2	17,4	18,4	21,4	19,8	1,4	8%	6,6	50%
Customer loans	17,4	18,6	19,0	17,5	17,9	(1,1)	(6%)	0,4	3%
Financial sector entities	1,0	1,1	2,0	0,7	0,7	(1,4)	(67%)	(0,3)	(34%)
including reverse repo receivables	0,6	0,7	1,4	-	0,0	(1,3)	(99%)	(0,6)	(98%)
Non-financial sector entities	16,4	17,5	16,9	16,8	17,2	0,3	1%	0,8	5%
Institutional Banking	10,4	11,3	10,8	10,7	10,9	0,1	1%	0,5	5%
Consumer Banking	6,0	6,1	6,2	6,1	6,3	0,1	2%	0,3	5%
Unsecured receivables	4,7	4,9	4,9	4,8	5,0	0,1	2%	0,3	6%
Credit cards	2,1	2,2	2,2	2,1	2,2	0,1	3%	0,2	7%
Cash loans	2,6	2,6	2,6	2,7	2,7	0,1	2%	0,1	5%
Other unsecured receivables	0,1	0,1	0,1	0,1	0,1	(0,0)	(9%)	(0,0)	(5%)
Mortgage	1,3	1,3	1,3	1,3	1,3	(0,0)	(0%)	0,0	1%
Other assets	2,5	2,6	2,3	2,6	2,7	0,4	18%	0,2	9%
Total assets	51,7	49,8	49,5	51,5	44,2	(5,3)	(11%)	(7,5)	(14%)
Liabilities due to banks	9,5	8,6	7,0	10,6	2,4	(4,6)	(66%)	(7,1)	(75%)
Financial liabilities held-for-trading	7,6	6,1	3,2	1,8	1,6	(1,6)	(50%)	(6,0)	(79%)
Financial liabilities due to customers	26,1	27,1	31,6	30,8	31,5	(0,1)	(0%)	5,4	21%
Financial sector entities - deposits	3,4	3,3	3,4	4,3	4,6	1,2	35%	1,1	33%
Non-financial sector entities - deposits	22,3	23,7	27,9	26,3	26,8	(1,1)	(4%)	4,5	20%
Institutional Banking	14,3	15,5	19,2	17,2	17,4	(1,8)	(9%)	3,0	21%
Consumer Banking	8,0	8,2	8,7	9,1	9,5	0,7	8%	1,5	19%
Other financial liabilities	0,1	1,0	0,3	0,1	0,3	(0,0)	(9%)	0,2	134%
Other liabilities	2,0	1,3	0,9	1,4	2,2	1,3	151%	0,2	8%
Total liabilities	45,1	43,1	42,7	44,5	37,6	(5,0)	(12%)	(7,5)	(17%)
Equity	6,6	6,7	6,9	7,1	6,6	(0,3)	(4%)	(0,0)	(0%)
Total liabilities & equity	51,7	49,8	49,5	51,5	44,2	(5,3)	(11%)	(7,5)	(14%)
Loans / Deposits ratio	74%	74%	61%	64%	64%				
Capital Adequacy Ratio	16,6%	16,2%	17,1%	17,5%	17,0%				
NPL*	4,7%	3,9%	3,2%	3,4%	3,3%				

*as reported, incl. reverse repo