

Bank Handlowy w Warszawie S.A.

Preliminary consolidated financial results for 2016

February 14th, 2017

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

The logo for Citi Handlowy, featuring the word "citi" in white lowercase letters with a red arc above the "i", followed by "handlowy" in white lowercase letters, and a registered trademark symbol (®) to the right.

2016 summary

Customer loans increase in line with declarations

- Institutional loans volume* increase **+9%** YoY (banking sector **+5%** YoY);
- Retail loans volume increase **+4%** YoY (banking sector **+6%** YoY).

High profitability

- Consolidated net income PLN **602** MM achieved in challenging market environment;
- Profitability ratios significantly above banking sector: ROTE **12.0%** (banking sector **7.9%**) and ROA **132 bps** (banking sector **83 bps**).

Development in strategic areas

- Development of light and easy to relocate Banking Ecosystem SMART: **new Mini Smart format**;
- Strengthening liquidity position: customers current accounts **+12%** YoY (sector **+10%** YoY);
- Customer FX operations result increase **+5%** YoY

Further build-up of the shareholders value

- Strong Bank's capital position: Tier1= **17.4%** (banking sector** **16.1%**);
- As of December 31, 2016 Bank meets general 2016 **dividend payment** criteria announced on December 6, 2016 by FSA.

Institutional banking

Focus on relationship banking

1 Financial markets

Leading position on financial markets

FX volumes



- Volume increase by **+3%** Q4'16 vs Q4'15
- **80%** of transactions is processed through CitiFX Pulse
- **Treasury Securities Dealer** – first place in Ministry of Finance competition

Custody



- **40%** market share
- Global efficiency – leader in settlement of foreign clients transactions

Brokerage



- **10.3%** share in equity turnover on secondary market
- **+18% YoY** investment accounts number increase
- Participation in top transactions on capital market

2 Financing

Support for Clients in strategic goals achievement

Financial institution
PLN 1.25 B
 citi handlowy
 Securitization

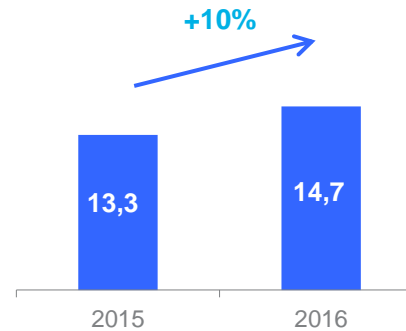
Automotive sector company
PLN 1.1 B
 citi handlowy
 Syndicated loan

State Treasury Company
PLN 700 MM
 citi handlowy
 Bonds issuance program

3 Transactional banking

Stable base for financing Clients' initiatives

Current deposits:



Trade Finance



Assets growth:

+20%
YoY

Share of electronically processed financial transaction:

100%

Retail Banking

Modern distribution model ready for execution of objectives

1 Bank SMART Ecosystem – the highest efficiency and the most convenient localization



- 16 SMART branches in the biggest Polish cities
- x6-10 higher productivity per SMART branch vs. traditional branch

Mini – SMART concept

Poznań, Kraków, Warszawa



- #Mobile #Light #Functional
- Full standard branch functionality within 12 m² area
- iPad as primary Universal Banker tool

2 Digital Banking

Internet and Mobile Banking



- 97.5% (+2 p.p. YoY) transactions made via internet banking
- +14% YoY CitiMobile users

'Cloud' banking

Asset Management



- +54% YoY investment products sales increase

Credit Cards Sales Automation

- +47% YoY Number of credit cards sold



3 Acquisition/Xsell



- Internet channel



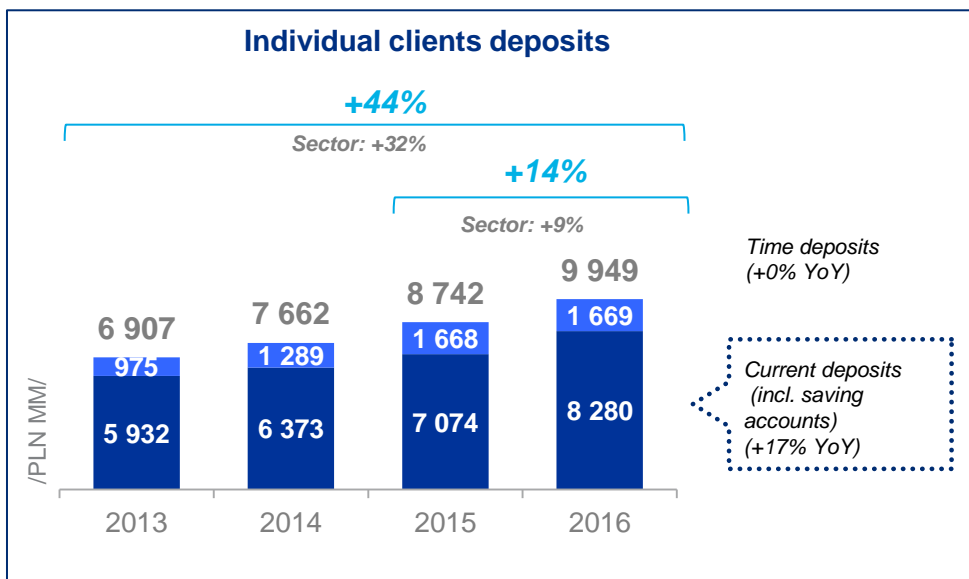
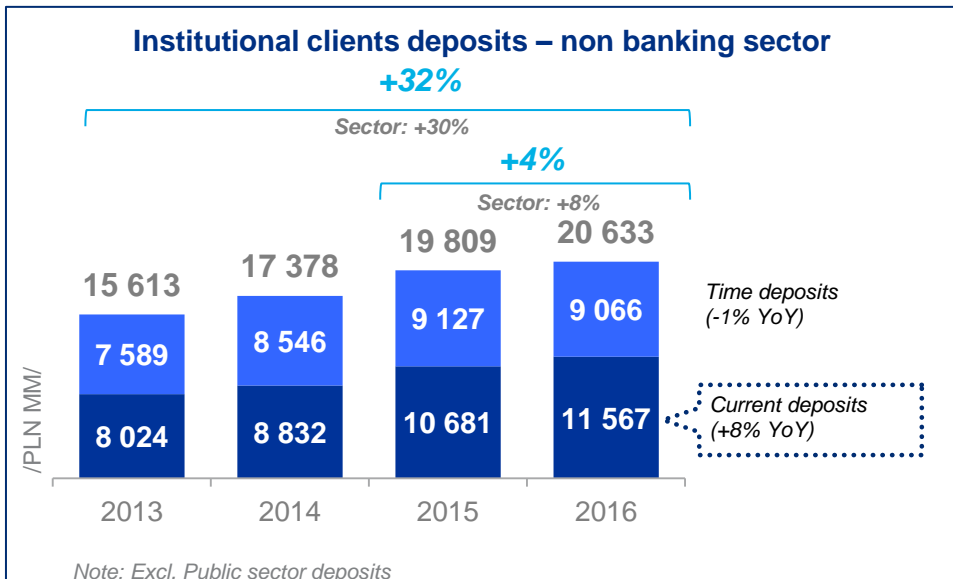
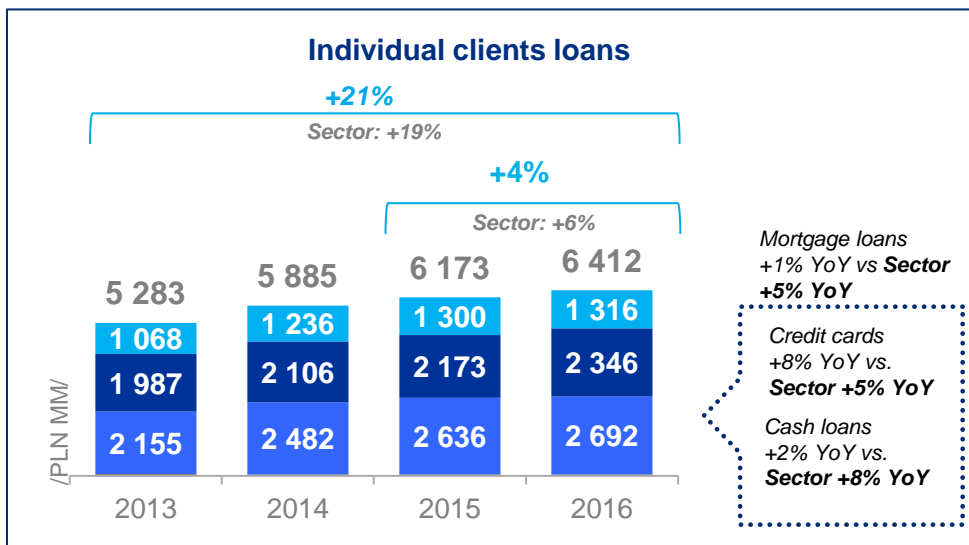
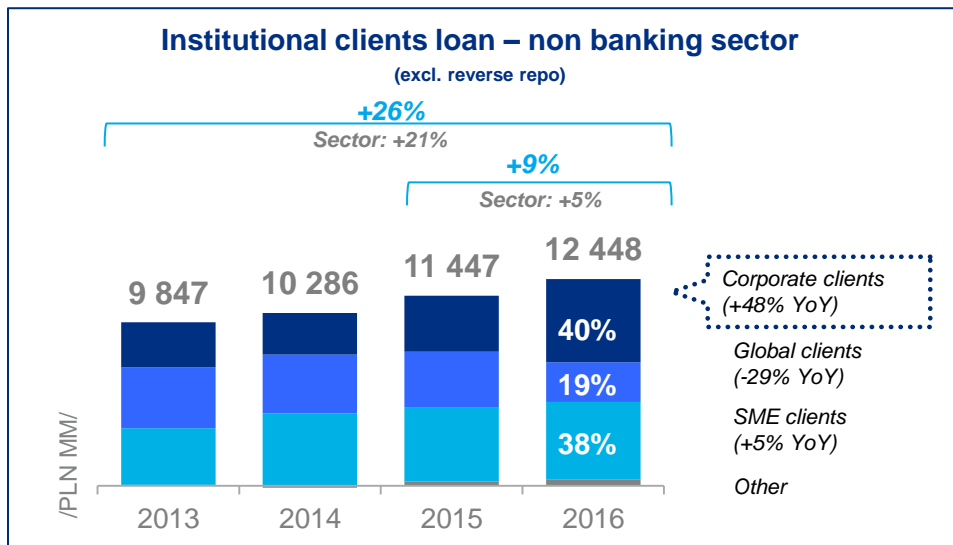
- SMART branches
- Universal Bankers network



- Tele channel

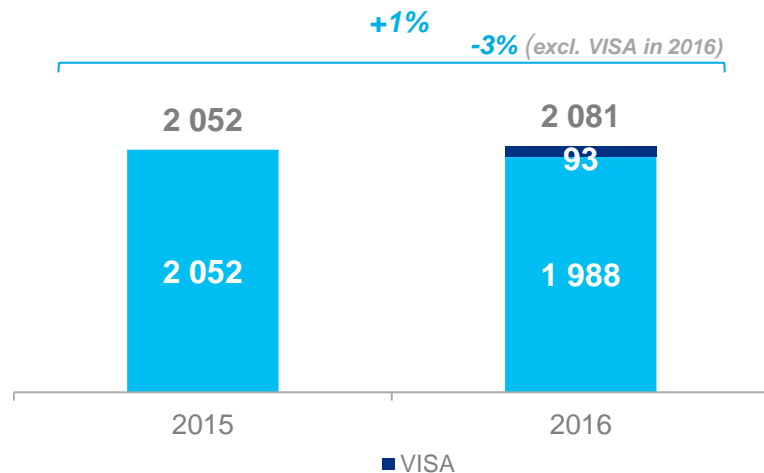
„(...) technology will have greater impact on banking sector than regulations in 3-5 years time”, January, 2016

Client volumes

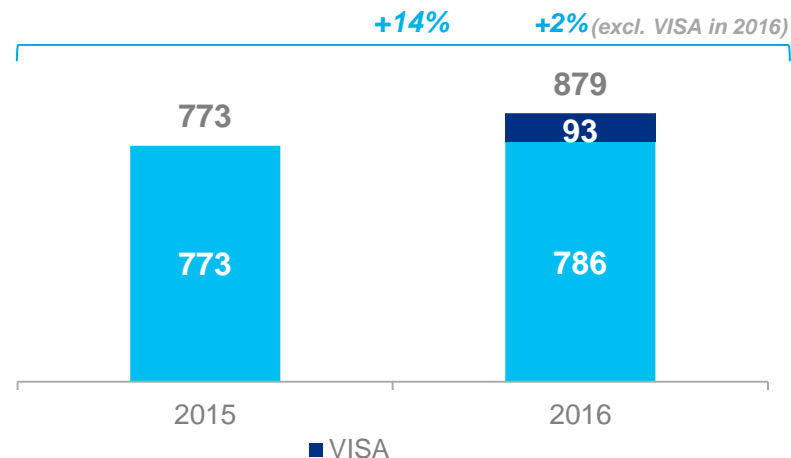


Net income and revenue

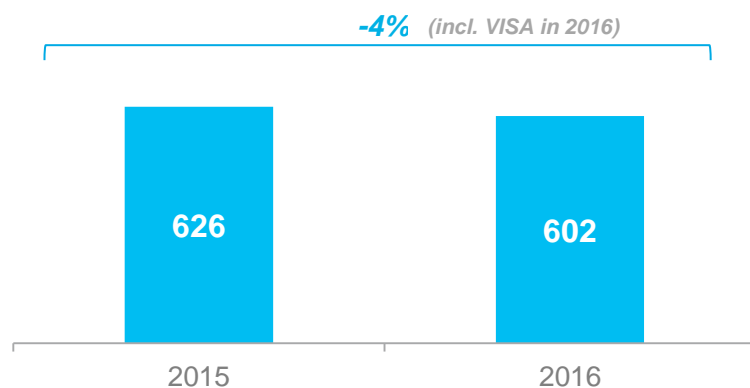
Revenues (PLN MM)



Operating Margin (PLN MM)



Net income (PLN MM)



2016 Key financial ratios

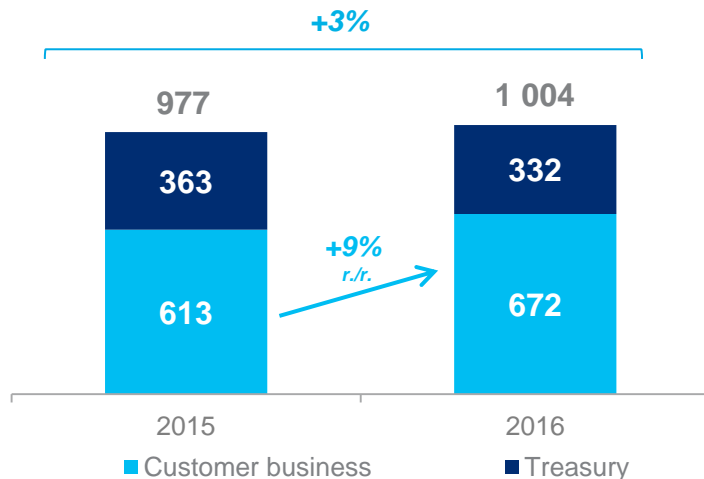
	Bank*	Sector
ROA	132 bps	83 bps
ROTE	12.0%	7.9%
Tier 1**	17.4%	16.1%
NPL	2.9%	6.1%

* Ratios calculated on basis of consolidated results

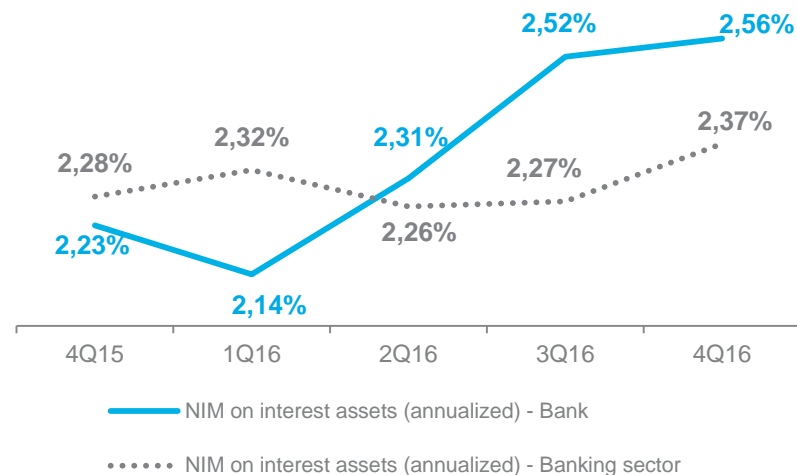
** Data as of Q3'16 (end of 2016 unavailable)

Revenue split

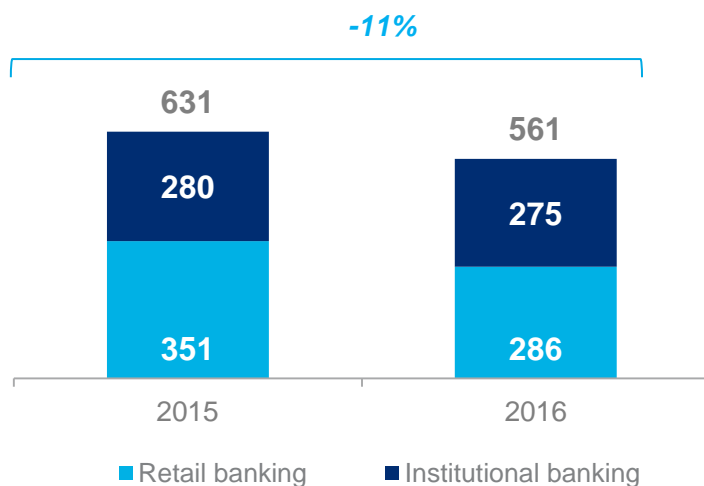
Net interest income (PLN MM)



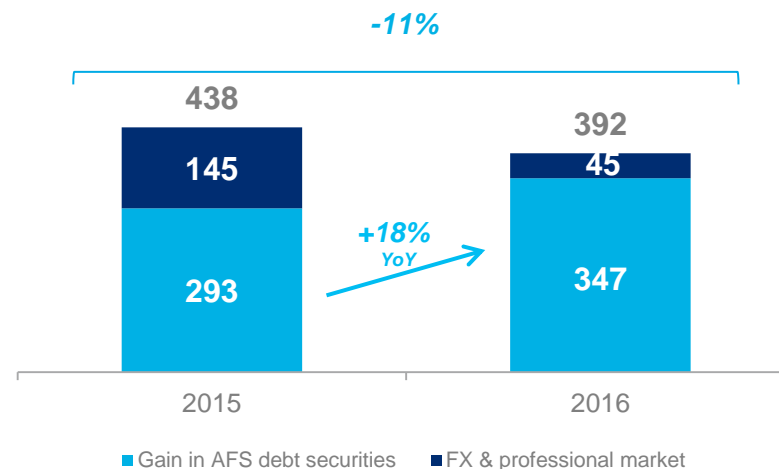
Net interest margin – Bank vs. sector



Net fee & commission income (PLN MM)

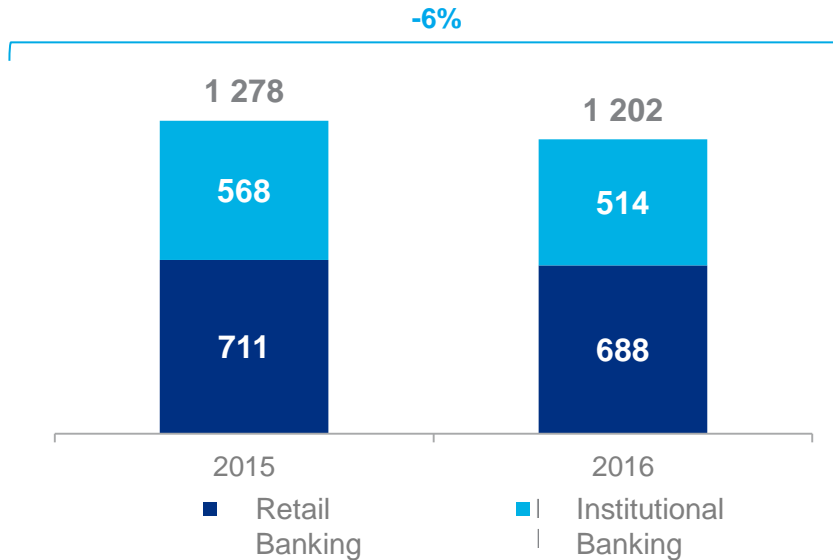


Treasury result (PLN MM)

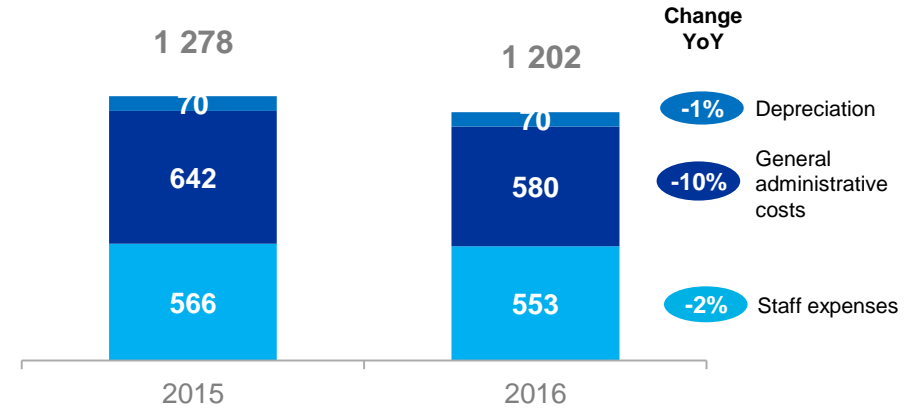


Operating expenses and risk costs

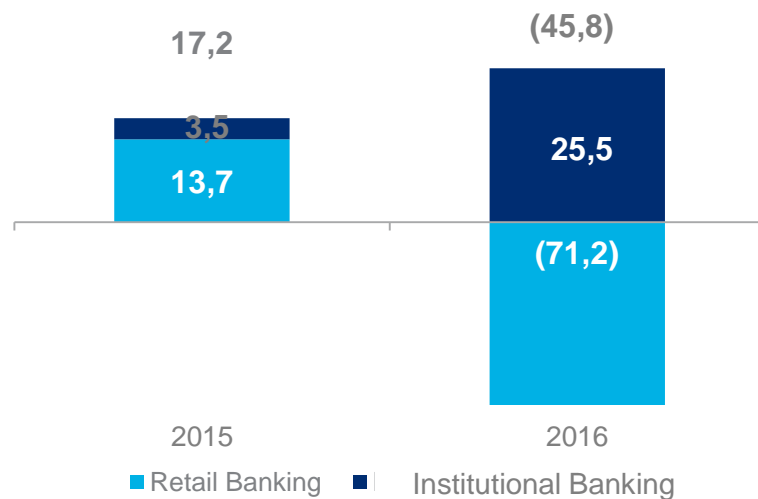
Operating expenses and depreciation (PLN MM)



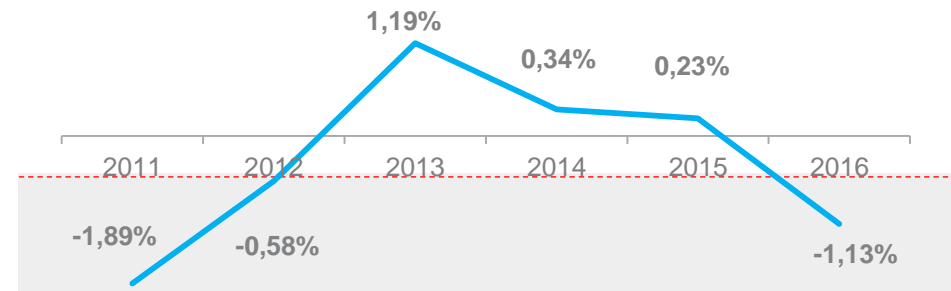
Operating expenses and depreciation (PLN MM) by type



Net impairment losses (PLN MM)



Retail banking risk costs



• Return in risk costs to normalized levels

2017 market environment

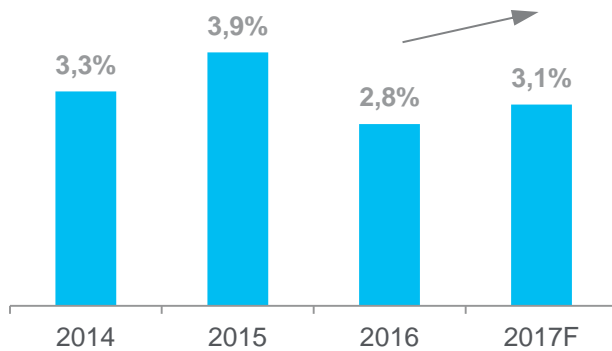
Macroeconomic Environment in 2017

Higher GDP growth...

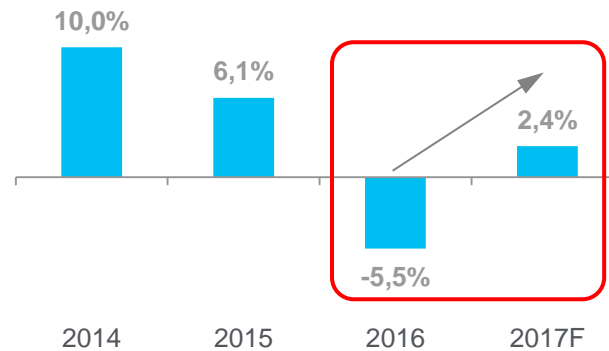
...fueled by rebound in investments

and further private consumption growth

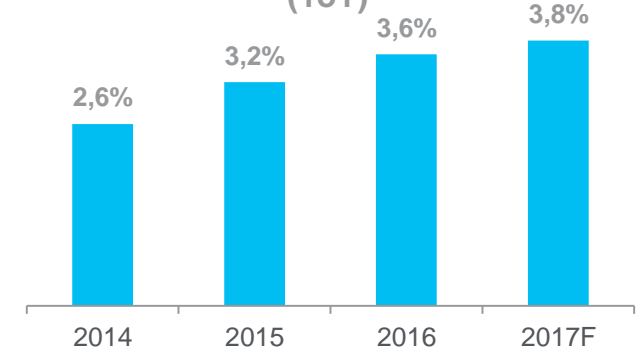
Real GDP growth (YoY)



Real Investments growth (YoY)



Private consumption growth (YoY)

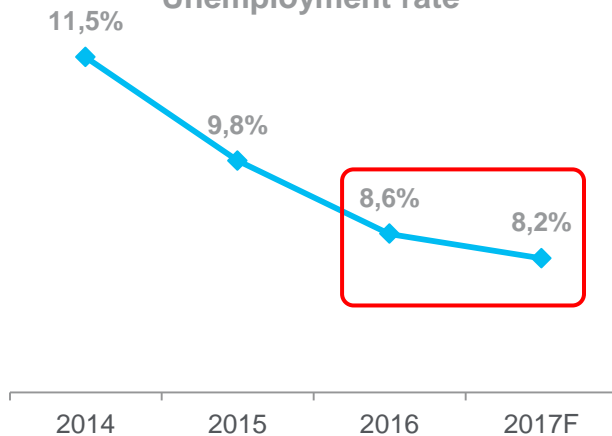


Declining unemployment putting pressure on wages...

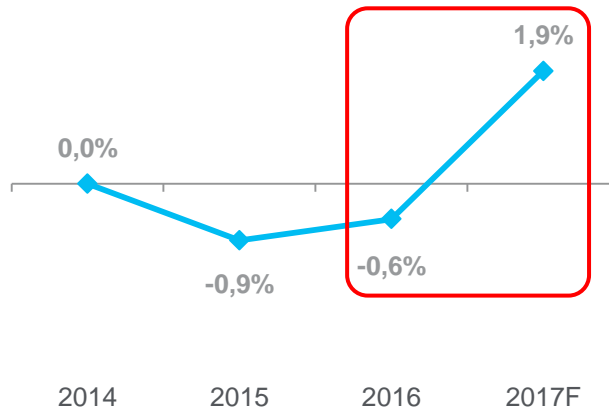
...but returning inflation should stay below MPC target...

...keeping rates on unchanged level

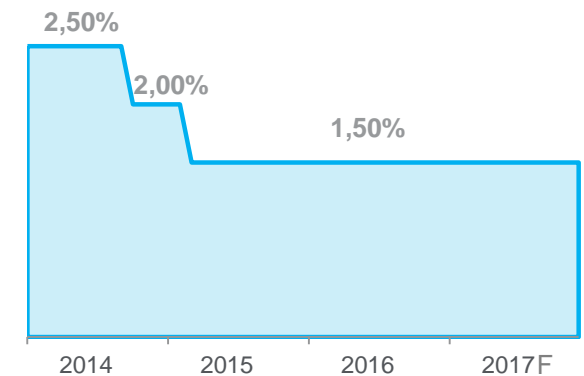
Unemployment rate



CPI (avg)



Reference rate



Market risk

Outside risks

Brexit

Changes in US policy

Capital outflow from Emerging Markets to US related to interest rates hikes

Banking sector risks

FX mortgage loans

Situation in credit unions and cooperative banks sector

Interest rates increase

Banking sector risks mitigants

Strong capital position

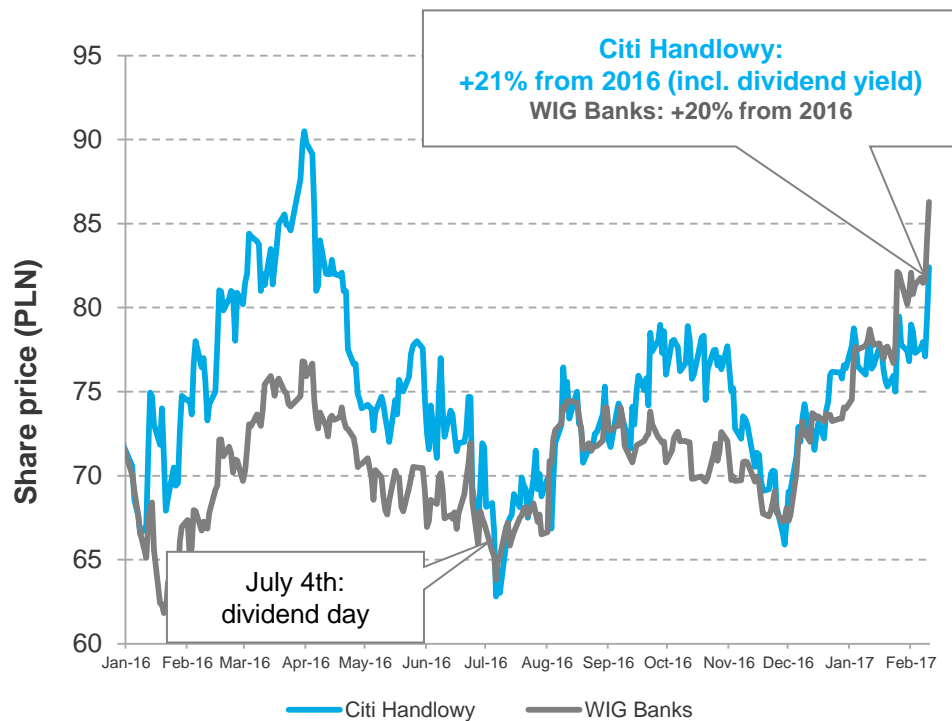
Liquidity

Strong banking supervision

„(...) our banking sector is stable, in good condition, is profitable and is managed by responsible people in conservative way” Adam Glapiński, President of the National Bank of Poland

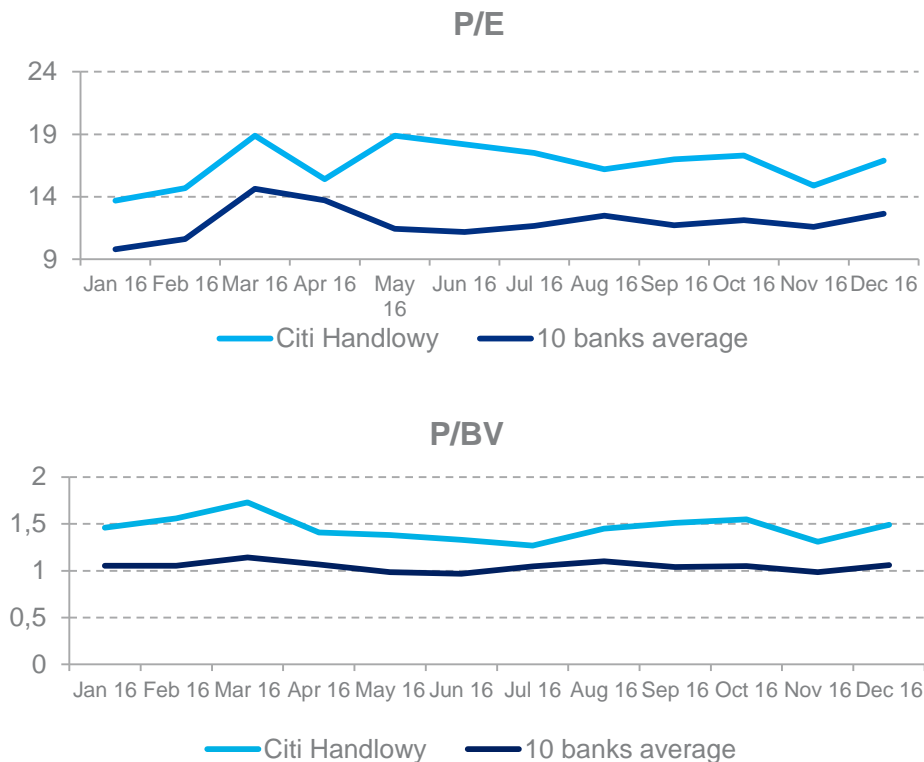
Change in Bank's share price

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



Note: Last quotation February 10th, 2017 (Citi Handlowy: PLN 82.40)

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

Profit and loss account - Total Bank

PLN MM	4Q15	1Q16	2Q16	3Q16	4Q16	2015	2016	2016 vs. 2015	
								PLN MM	%
Net interest income	243	247	252	247	257	977	1,004	27	3%
Net fee and commission income	153	143	139	145	135	631	561	(70)	(11%)
Dividend income	0	0	7	1	0	7	8	1	9%
Gains on AFS debt securities	26	7	14	22	2	145	45	(101)	(69%)
FX and professional market	79	38	107	93	109	293	347	54	18%
Hedge accounting	3	4	3	0	2	8	10	2	20%
Treasury	109	49	125	115	113	446	401	(45)	(10%)
Net gain on equity investment instruments	-	-	94	2	0	2	96	94	4197%
Net other operating income	(1)	10	2	2	(4)	(12)	11	23	-
Revenue	504	449	620	512	501	2,052	2,081	30	1%
Expenses	(337)	(295)	(284)	(271)	(283)	(1,208)	(1,132)	76	(6%)
Depreciation	(18)	(19)	(17)	(17)	(17)	(70)	(70)	1	(1%)
Expenses and depreciation	(355)	(313)	(301)	(288)	(300)	(1,278)	(1,202)	76	(6%)
Operating margin	149	136	318	224	201	773	879	106	14%
Profit/(loss) on sale of tangible fixed assets	0	0	0	0	0	0	0	0	14%
Net impairment losses	0	6	(20)	(18)	(13)	17	(46)	(63)	-
Share in profits / (losses) of entities valued at the equity method	(0)	(0)	0	0	(0)	0	0	(0)	(18%)
Tax on certain financial institutions	-	-	-	-	-	-	-	-	-
EBIT	149	128	280	187	169	791	764	(26)	(3%)
Corporate income tax	(31)	(24)	(58)	(42)	(39)	(164)	(163)	2	(1%)
Net profit	118	104	222	145	130	626	602	(25)	(4%)
C/I ratio	70%	70%	49%	56%	60%	62%	58%		

Institutional Banking - profit and loss account

PLN MM	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	2015	2016	2016 vs. 2015	
										PLN MM	%
Net interest income	105	98	106	107	113	104	114	421	440	19	4%
Net fee and commission income	70	75	68	66	67	74	68	280	275	(5)	(2%)
Dividend income	1	0	0	0	1	0	0	2	2	(0)	(8%)
Gains on AFS debt securities	20	-	26	7	14	22	2	145	45	(101)	(69%)
FX and professional market	64	47	76	30	98	86	101	266	316	50	19%
Hedge accounting	1	4	3	4	3	0	2	8	10	2	20%
Treasury	85	52	105	41	116	108	105	419	370	(49)	(12%)
Net gain on equity investment instruments	-	2	-	-	27	2	0	2	29	27	1219%
Net other operating income	2	3	7	9	5	6	1	18	21	4	21%
Revenue	264	231	286	224	330	295	289	1 141	1 137	(4)	(0%)
Expenses	(127)	(122)	(164)	(129)	(123)	(120)	(122)	(544)	(493)	51	(9%)
Depreciation	(6)	(6)	(6)	(6)	(5)	(5)	(5)	(23)	(21)	2	(10%)
Expenses and depreciation	(133)	(128)	(169)	(134)	(128)	(125)	(127)	(568)	(514)	54	(9%)
Operating margin	130	103	117	89	202	170	162	574	623	49	9%
Profit/(loss) on sale of tangible fixed assets	0	0	0	0	0	0	0	0	0	0	142%
Net impairment losses	2	2	3	18	(1)	0	8	3	25	22	630%
Tax on certain financial institutions	-	-	-	(10)	(13)	(14)	(14)	-	(50)	(50)	0%
Share in profits / (losses) of entities valued at the equity method	0	0	(0)	(0)	0	0	(0)	0	0	(0)	(18%)
EBIT	133	105	120	97	188	156	156	577	599	21	4%
C/I ratio	51%	55%	59%	60%	39%	42%	44%	50%	45%		

Retail Banking - profit and loss account

PLN MM	4Q15	1Q16	2Q16	3Q16	4Q16	2015	2016	2016 vs. 2015	
								PLN MM	%
Net interest income	137	140	139	143	142	556	564	8	1%
Net fee and commission income	85	77	72	70	67	351	286	(66)	(19%)
Dividend income	-	-	6	0	-	6	7	1	14%
FX and professional market	3	8	9	7	8	27	32	4	16%
AFS Non-Treasury (equity instruments)	-	-	66	-	-	-	66	66	-
Net other operating income	(8)	1	(3)	(4)	(5)	(30)	(10)	20	(66%)
Revenue	217	226	223	217	212	910	878	(32)	(4%)
Expenses	(174)	(166)	(161)	(151)	(161)	(664)	(639)	24	(4%)
Depreciation	(12)	(13)	(12)	(12)	(12)	(47)	(49)	(2)	4%
Expenses and depreciation	(185)	(179)	(173)	(163)	(173)	(711)	(688)	22	(3%)
Operating margin	32	47	50	54	39	200	190	(10)	(5%)
Net impairment losses	(2)	(12)	(19)	(18)	(21)	14	(71)	(85)	-
Tax on certain financial institutions	-	(3)	(5)	(5)	(5)	-	(19)	(19)	-
EBIT	29	31	92	31	12	213	166	(48)	(22%)
C/I ratio	85%	79%	78%	75%	82%	78%	78%		

Balance sheet

PLN B	End of period					4Q16 vs. 3Q16		4Q16 vs. 4Q15	
	4Q15	1Q16	2Q16	3Q16	4Q16	PLN B	%	PLN B	%
Cash and balances with the Central Bank	2.2	1.1	0.8	0.9	0.7	(0.2)	(26%)	(1.5)	(69%)
Amounts due from banks	0.8	0.8	0.8	0.6	0.6	(0.1)	(8%)	(0.2)	(22%)
Financial assets held-for-trading	7.0	8.1	2.3	2.7	3.9	1.2	43%	(3.1)	(44%)
Debt securities available-for-sale	18.4	21.4	19.8	16.7	19.1	2.4	14%	0.7	4%
Customer loans	19.0	17.5	17.9	18.6	18.9	0.3	2%	(0.1)	(1%)
Financial sector entities	2.0	0.7	0.7	1.7	1.7	(0.1)	(3%)	(0.3)	(17%)
including reverse repo receivables	1.4	-	0.0	-	-	0.0	-	(1.4)	(100%)
Non-financial sector entities	16.9	16.8	17.2	16.8	17.2	0.4	2%	0.2	1%
Institutional Banking	10.8	10.7	10.9	10.5	11.1	0.7	6%	0.4	3%
Consumer Banking	6.2	6.1	6.3	6.4	6.5	0.1	2%	0.3	5%
Unsecured receivables	4.9	4.8	5.0	5.0	5.1	0.1	1%	0.2	5%
Credit cards	2.2	2.1	2.2	2.3	2.3	0.1	3%	0.2	8%
Cash loans	2.6	2.7	2.7	2.7	2.7	(0.0)	(0%)	0.1	2%
Other unsecured receivables	0.1	0.1	0.1	0.1	0.1	(0.0)	(6%)	(0.0)	(8%)
Mortgage	1.3	1.3	1.3	1.3	1.3	0.0	1%	0.0	1%
Other assets	2.3	2.6	2.7	2.5	2.2	(0.2)	(8%)	(0.0)	(1%)
Total assets	49.5	51.5	44.2	42.0	45.3	3.3	8%	(4.2)	(8%)
Liabilities due to banks	7.0	10.6	2.4	2.4	2.3	(0.1)	(3%)	(4.7)	(67%)
Financial liabilities held-for-trading	3.2	1.8	1.6	1.2	1.4	0.2	17%	(1.8)	(56%)
Financial liabilities due to customers	31.6	30.8	31.5	30.5	33.9	3.4	11%	2.4	7%
Financial sector entities - deposits	3.4	4.3	4.6	4.8	4.7	(0.1)	(3%)	1.3	39%
Non-financial sector entities - deposits	27.9	26.3	26.8	25.6	29.1	3.5	14%	1.2	4%
Institutional Banking	19.2	17.2	17.4	16.1	19.2	3.1	19%	0.0	0%
Consumer Banking	8.7	9.1	9.5	9.5	9.9	0.4	5%	1.2	14%
Other financial liabilities	0.3	0.1	0.3	0.1	0.1	(0.0)	(19%)	(0.2)	(71%)
Other liabilities	0.9	1.4	2.2	1.2	0.9	(0.3)	(25%)	0.0	1%
Total liabilities	42.7	44.5	37.6	35.3	38.5	3.3	9%	(4.1)	(10%)
Equity	6.9	7.1	6.6	6.7	6.8	0.1	1%	(0.1)	(1%)
Total liabilities & equity	49.5	51.5	44.2	42.0	45.3	3.3	8%	(4.2)	(8%)
Loans / Deposits ratio	61%	64%	64%	66%	59%				
Capital Adequacy Ratio	17.1%	17.5%	17.0%	17.1%	17.4%				
NPL*	3.2%	3.4%	3.3%	3.1%	2.9%				

*as reported, incl. reverse repo