

An aerial photograph of a city skyline at sunset. The sky is filled with soft, colorful clouds in shades of orange, pink, and blue. The sun is low on the horizon, casting a warm glow over the buildings. In the foreground, a tall, modern skyscraper with a unique, angular design stands out. To its right, another tall building is illuminated with a warm, golden light. The city below is a dense collection of buildings, with some lights already on, suggesting the transition from day to night.

# Bank Handlowy w Warszawie S.A. Consolidated financial results for 3Q 2019

November 14, 2019

[www.citihandlowy.pl](http://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 the word "handlowy" in a lowercase, sans-serif font with a registered trademark symbol.

# 3Q summary – key themes

1

**Business volumes increase reflected in continuation of high pace of revenue growth.**

2

**Solutions supporting capital management offered to Institutional Clients leveraging global know-how and access to investors.**

3

**Commercial Banking segment loan portfolio quality.**

4

**Acquisition of new clients in Private Banking segment. Benefits for Affluent Clients – Ultime Credit Card.**

# Most important events in 3Q 2019

Continuation of strong volumes growth in client business

**Revenue:**  
**+7% YoY**

**Loan volumes:**  
**+8% YoY**

**Deposit volumes:**  
**+9% YoY**



- **Structured financing transactions leader:**

- PLN 4.5 B – total value of the securitization transactions (80% of the transactions on Polish market in 2019);
- PLN 1.8 B – Citi Handlowy as bookrunner in debt refinancing transactions.



- **The best FX know-how:**

- +16% YoY – YTD FX volumes;
- Automation, digitization and integration of foreign currencies exchange process with client's ERP systems.



- **Consumer Banking:**

- The best solutions in Private Banking – 22% YoY growth of the number of clients in the CPC segment
- +7% YoY transactions number and +5% YoY transactions value growth with Citi Handlowy Credit Cards as a result of dedicated benefits for clients – Priceless Specials Program.

# Institutional Banking

# Institutional Banking – Financing

Citi Handlowy arranged financing in the amount of PLN 6.0 B for Clients in Q3 2019



Leasing

**PLN 2.5 B**



**Co-Arranger**



**PLN 1.2 B**



**Joint - Structurer**



**PLN 1.8 B**



**Bookrunner**



**PLN 198 MM**



**Co-financing Bank**

Lithium – Ion batteries producer

**EUR 50 MM**



**Financing Bank**

International recycling company

**EUR 20 MM**



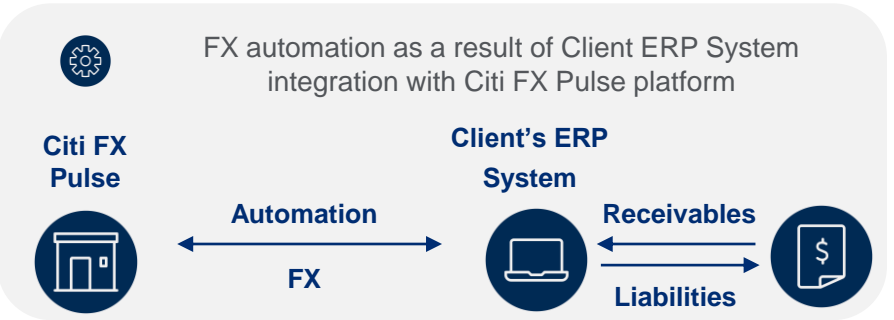
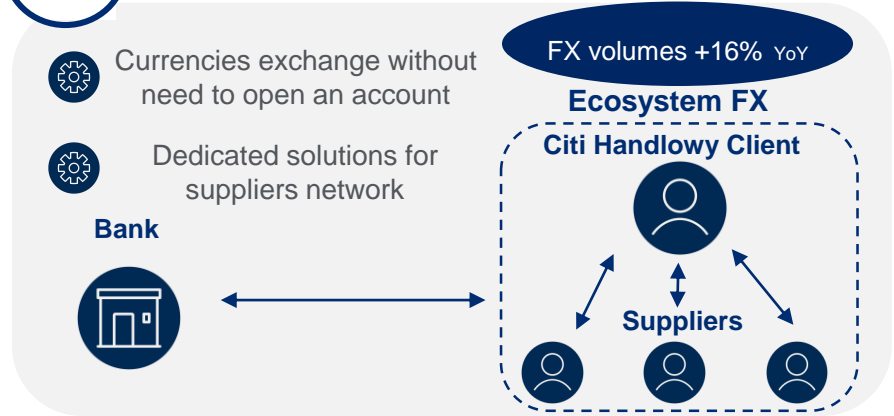
**Financing Bank**

-  Citi Handlowy participated in **80%** of all **Securitization transactions** in Poland in 2019;
-  Rising demand of **Financial institutions** for this type of transactions in terms of **acquisition of financing and release of capital**;
-  Securitization market is **growing in Europe 17% YoY**

-  **Projects supporting sustainable growth and environmental protection in special economic zones**
-  Financing of waste incineration plant – Lower Silesia
-  Financing of electric cars batteries manufacturing plant – the South of Poland

# Institutional Banking – FX & Transactional Banking

## FX - initiatives



## Split payment – implemented November 1<sup>st</sup>

- 1,800 participants** **Market leader**
- Webinars** in Polish and English
- Detailed information materials for Clients

**Domestic payments volume increase** executed by our Clients.

**8 MM** **Electronic transactions** → **+33% YoY** transactions more

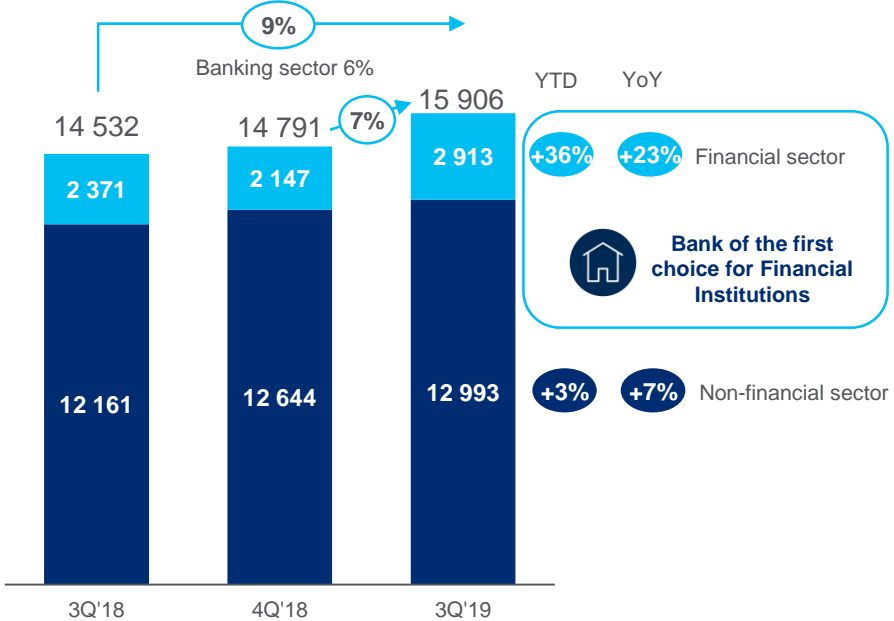
NPS for CitiService=75%

# Institutional Banking – Loan Volumes

Strong growth of the loan volume – in line with the strategy, above banking sector



Loan Volumes (PLN MM)



Loan portfolio split by segment

Top Polish and global companies constitute 64% of the total loan portfolio

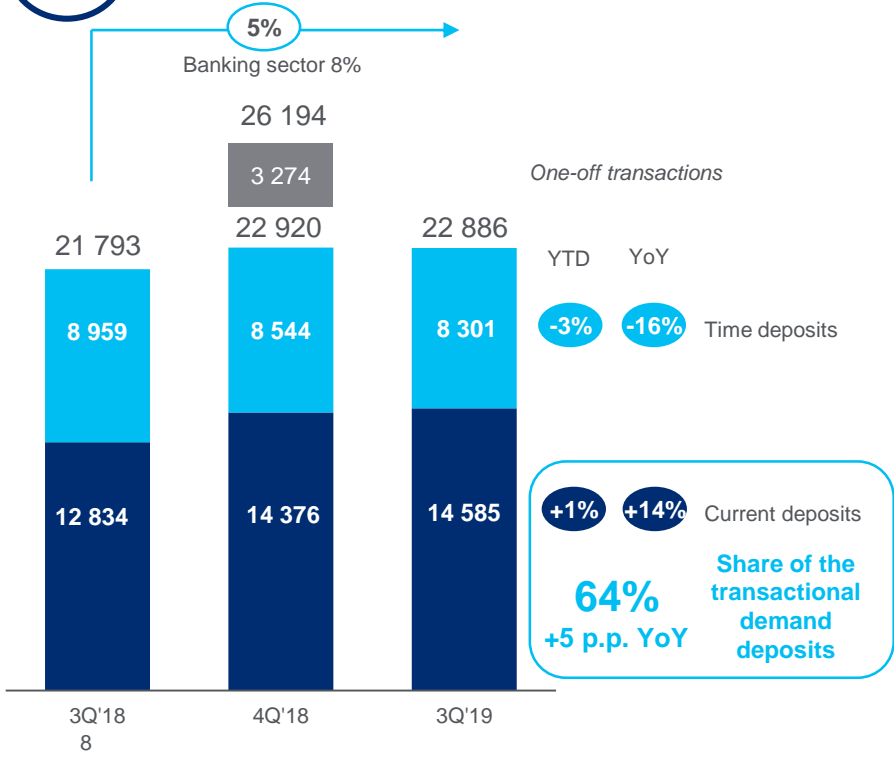


# Institutional Banking – Deposit Volumes

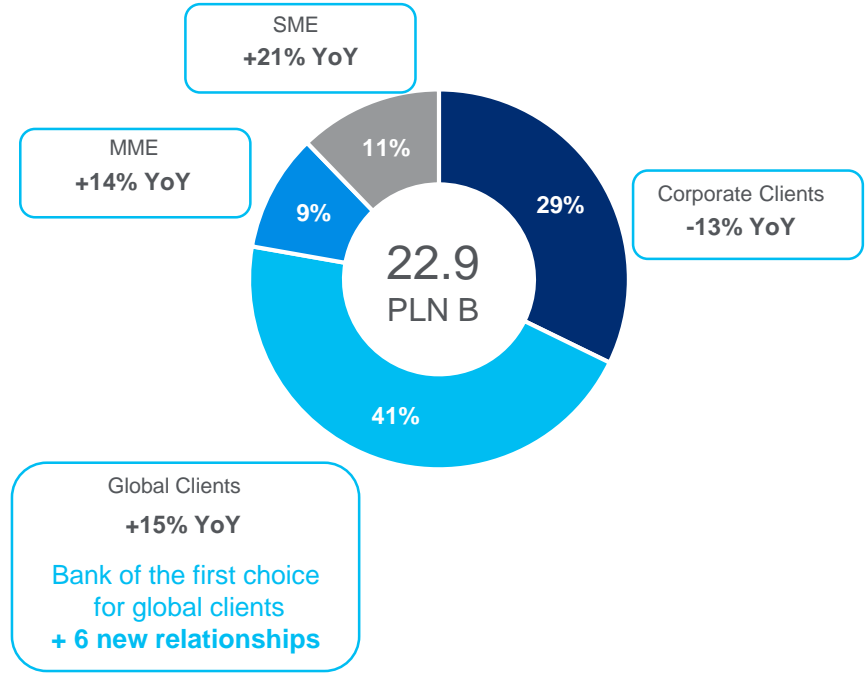
Structural improvement in favour of demand deposits as a result of operating accounts growth



Deposit volumes (PLN MM)



Deposit portfolio split by segment



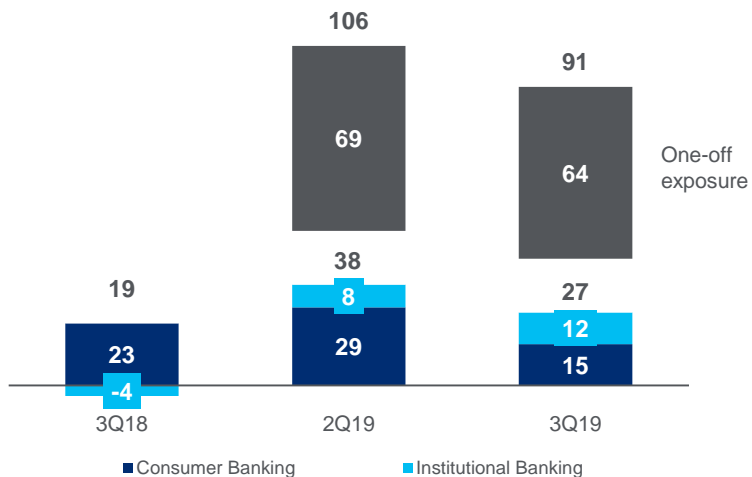


# Cost of Risk

# Cost of risk

Cost of risk\* (PLN MM)

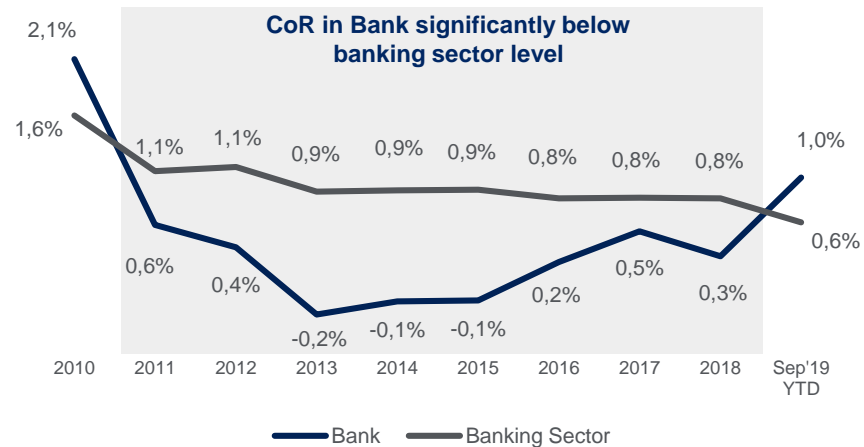
Cost of risk increase along with impairment losses increase in commercial banking segment



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

Cost of risk\* – Bank vs. Banking sector(%)

Credit Risk Management System works in line with „1 in 10” model

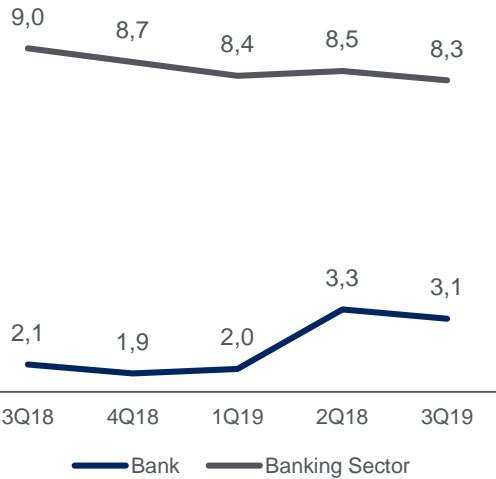


\* Positive number in net impairment losses means negative impact on P&L

# Institutional Banking loan portfolio quality

All loan portfolio quality measures significantly better than in Banking Sector

### Stage 3 (NPL) share in total portfolio (%)



### Coverage ratio (%)



### Stage 2 share in total portfolio (%)



# Consumer Banking

# Consumer Banking – Private Banking

Depth of relationship with Private Banking Client 12x higher vs. mass market client

- Support for clients in investing on global debt and equity markets
- Investment fund units sale growth by **13% YoY**
- Possibility to invest in foreign bonds online through Citi FX Stocks platform (3500 foreign bonds)
- NEW!** AuM bonds growth by **19% QoQ**

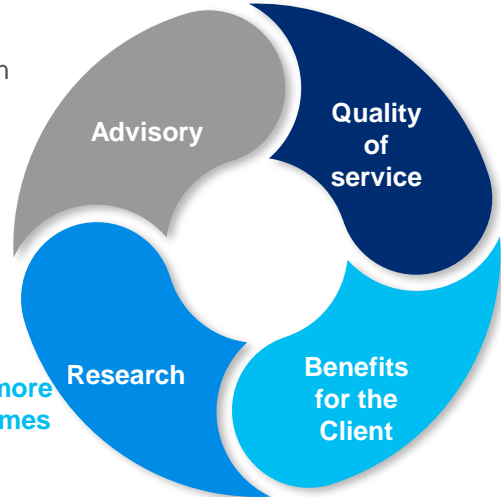
Market commentary delivered to Clients in the form of **podcast**



Listened to more than 5 ths. times

Dedicated **video materials** about situation on financial markets

**980 ths. views**



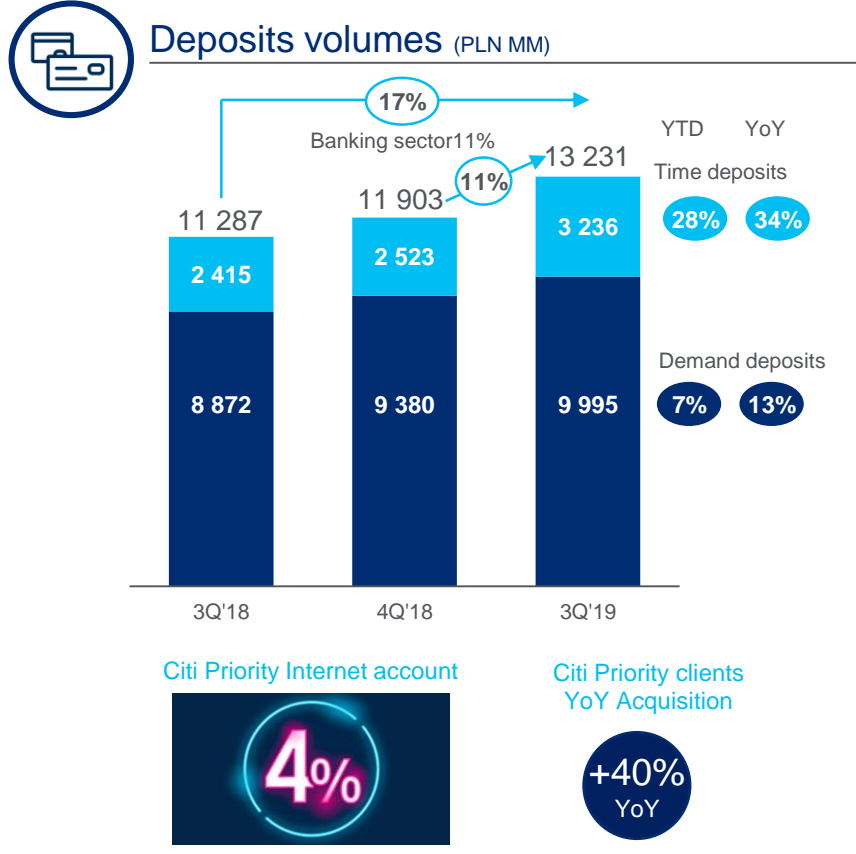
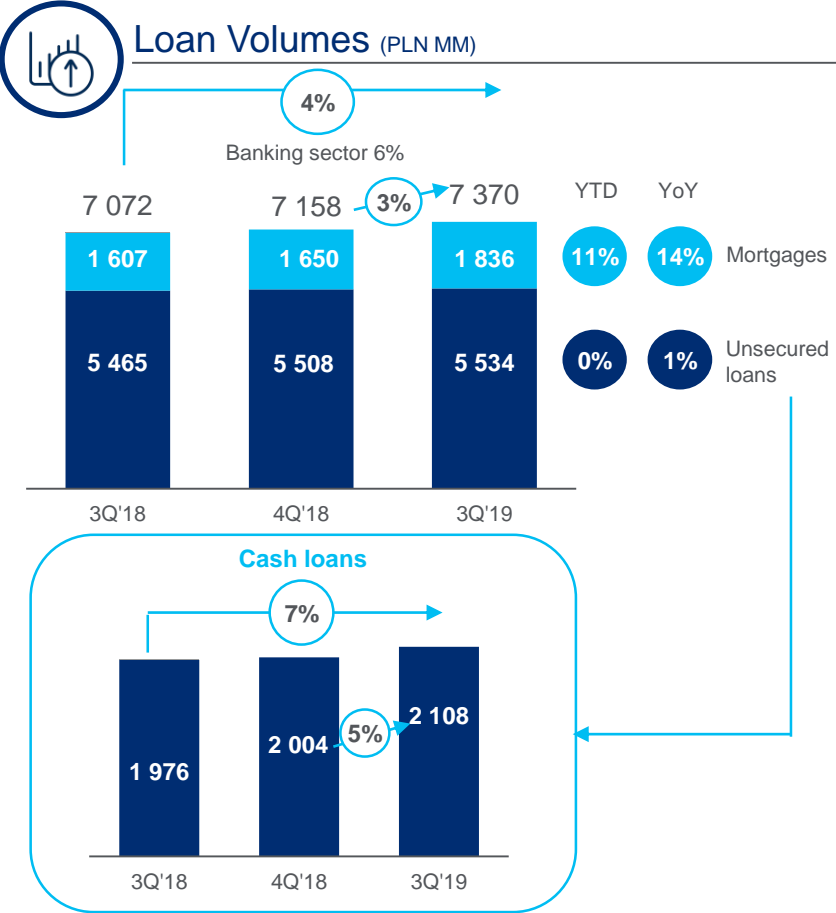
- Dedicated Citiphone line for Private Banking Clients available 24/7 with best in class specialists
- NPS CitiPhone at the level of **69%** in this segment
- 22% YoY** growth of the number of clients in the CPC segment



The best Citi Handlowy credit card for Clients travelling abroad

- Operations abroad with no FX costs and attractive package of insurance
- Ultimate cards number growth by **23% YoY**

# Consumer Banking – volumes



# Financial results

## 3Q 2019

# Financial results summary

	3Q19	2Q19	Δ QoQ	3Q18	Δ YoY	1-3Q 2019	Δ YoY
Net interest income	292	288	1%	281	4%	857	3%
Net fee and commission income *	142	141	0%	135	5%	429	3%
<b>Core revenue</b>	<b>433</b>	<b>429</b>	<b>1%</b>	<b>416</b>	<b>4%</b>	<b>1 286</b>	<b>3%</b>
Treasury	118	121	(3%)	103	15%	360	(4%)
Other *	2	28	(94%)	0	659%	23	(21%)
<b>Total revenue</b>	<b>553</b>	<b>579</b>	<b>(4%)</b>	<b>519</b>	<b>7%</b>	<b>1 669</b>	<b>1%</b>
<b>Expenses</b>	<b>276</b>	<b>279</b>	<b>(1%)</b>	<b>275</b>	<b>0%</b>	<b>940</b>	<b>4%</b>
<b>Operating margin</b>	<b>277</b>	<b>299</b>	<b>(7%)</b>	<b>244</b>	<b>14%</b>	<b>729</b>	<b>(2%)</b>
<b>Net impairment losses</b>	<b>91</b>	<b>106</b>	<b>(14%)</b>	<b>19</b>	<b>375%</b>	<b>226</b>	<b>337%</b>
<b>Profit before tax</b>	<b>160</b>	<b>170</b>	<b>(6%)</b>	<b>205</b>	<b>(22%)</b>	<b>433</b>	<b>(31%)</b>
Corporate income tax	46	37	24%	46	0%	127	(13%)
Bank levy	25	22	14%	19	32%	70	14%
<i>Effective tax rate</i>	28,9%	21,8%	7,1 pp.	22,6%	6,3 pp.	29,3%	6,3 pp.
<b>Net profit</b>	<b>114</b>	<b>133</b>	<b>(15%)</b>	<b>158</b>	<b>(28%)</b>	<b>306</b>	<b>(37%)</b>
<i>Return on Equity <sup>1)</sup></i>	7,0%	7,8%	(0,8 pp.)	10,2%	(3,2 pp.)		
<b>Total comprehensive income</b>	<b>158</b>	<b>200</b>	<b>(21%)</b>	<b>151</b>	<b>5%</b>	<b>367</b>	<b>(29%)</b>
<b>Assets</b>	<b>51 979</b>	<b>51 477</b>	<b>1%</b>	<b>45 163</b>	<b>15%</b>	<b>51 979</b>	<b>15%</b>
<b>Net loans</b>	<b>23 276</b>	<b>22 111</b>	<b>5%</b>	<b>21 604</b>	<b>8%</b>	<b>23 276</b>	<b>8%</b>
<b>Deposits</b>	<b>36 443</b>	<b>37 014</b>	<b>(2%)</b>	<b>33 372</b>	<b>9%</b>	<b>36 443</b>	<b>9%</b>
<i>Loans / Deposits</i>	64%	60%		65%			
<i>TCR</i>	16,3%	16,6%		16,9%			



## Commentary YoY



Core revenue growth, **continuation of growing trend in NF&C income** as a result of increase in transactional business: transactional banking, custody and credit cards;



**Operating margin strong dynamics**, as a result of higher revenue and cost control;



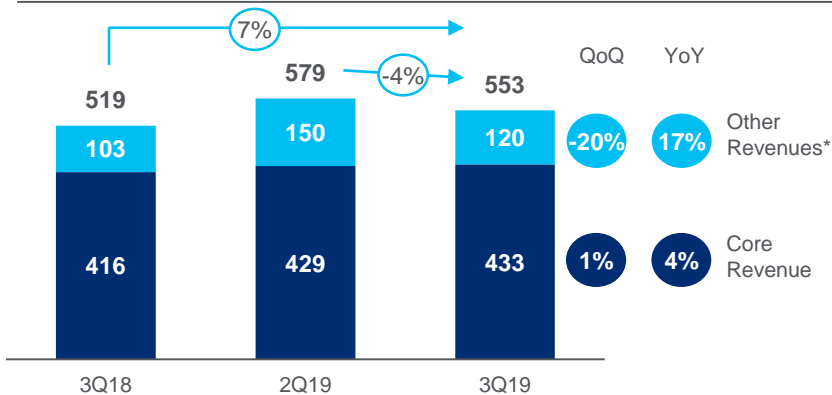
**Total revenue growth, supported by favorable balance sheet structure.**

1) Excluding one-off transactions increasing net fees & commission income in Q2'19 by PLN 12.1 MM;  
2) ROE = 4 consecutive quarters net income sum / 4 consecutive quarters equity volume.



# Revenue

Revenue (PLN MM)

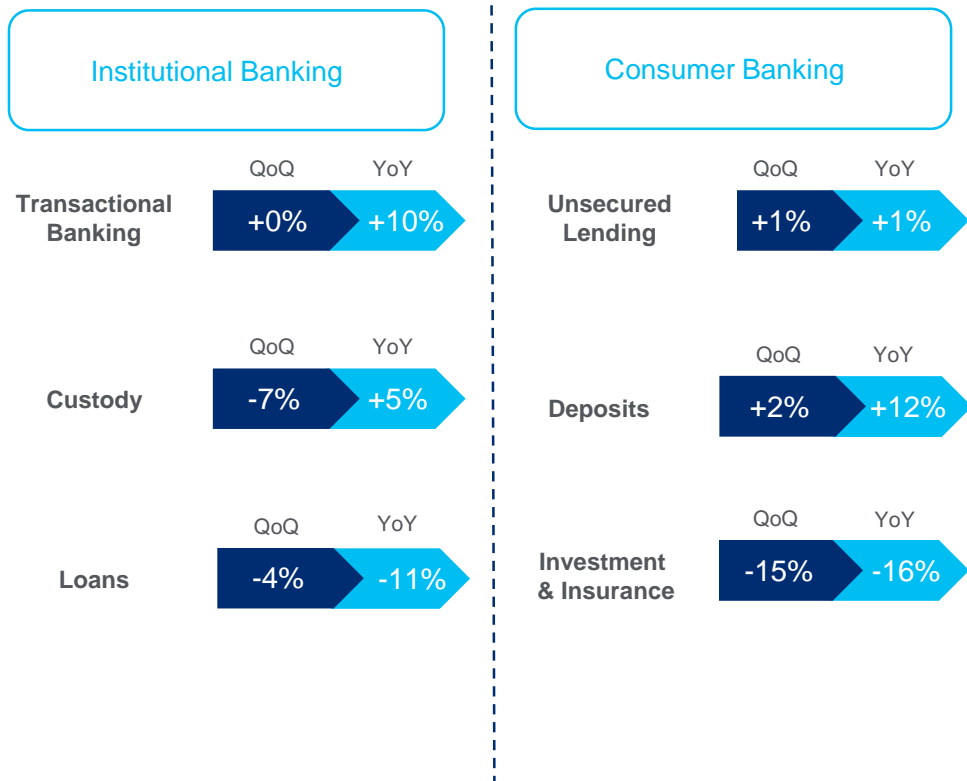


## Commentary YoY



**Institutional Banking** – strong growth in custody and transactional banking as a result of higher transactional volumes;

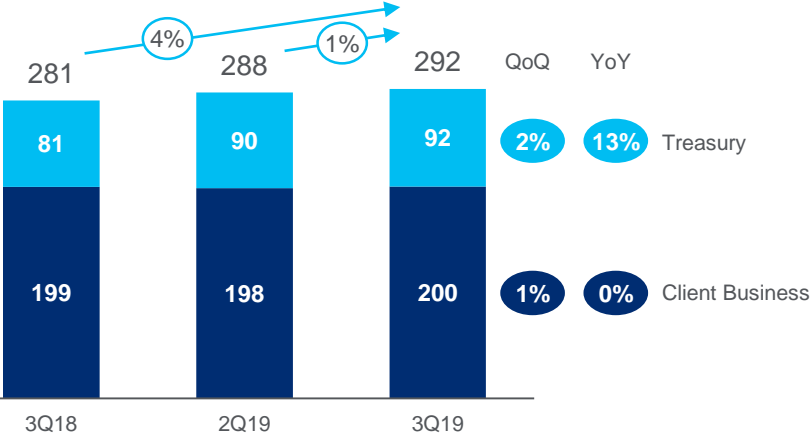
Client revenue dynamics (Management view in %)



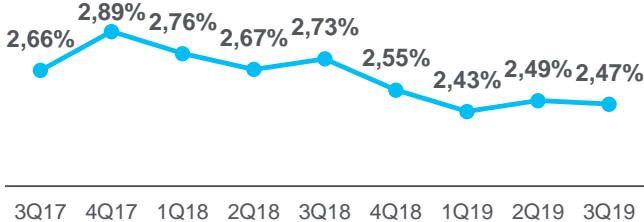
\*) Excluding one-off transactions increasing net fees & commission income in Q2'19 by PLN 12.1 MM

# Net interest income

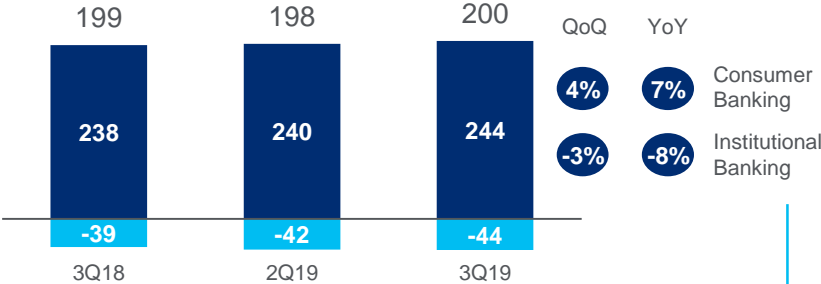
Net interest income (PLN MM)



Net Interest Margin (PLN MM)



Client interest income & expenses (PLN MM)



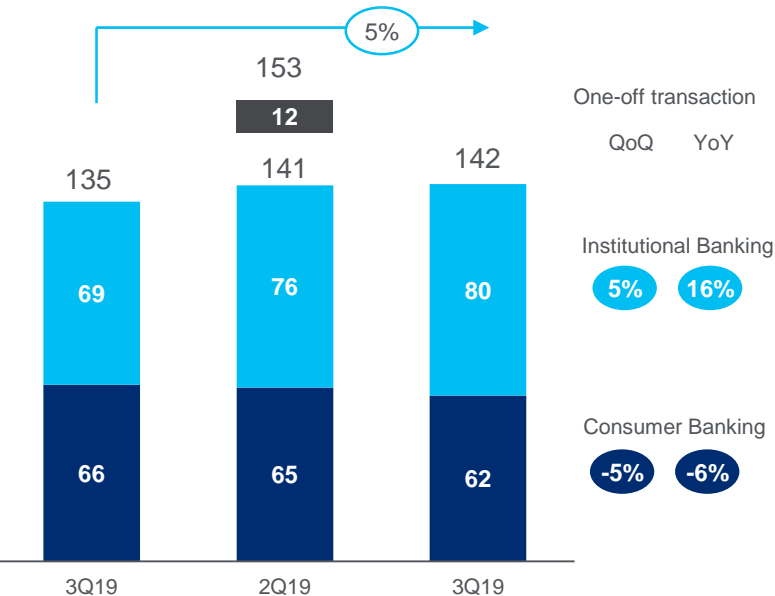
Net Interest Income — (Management view in %)



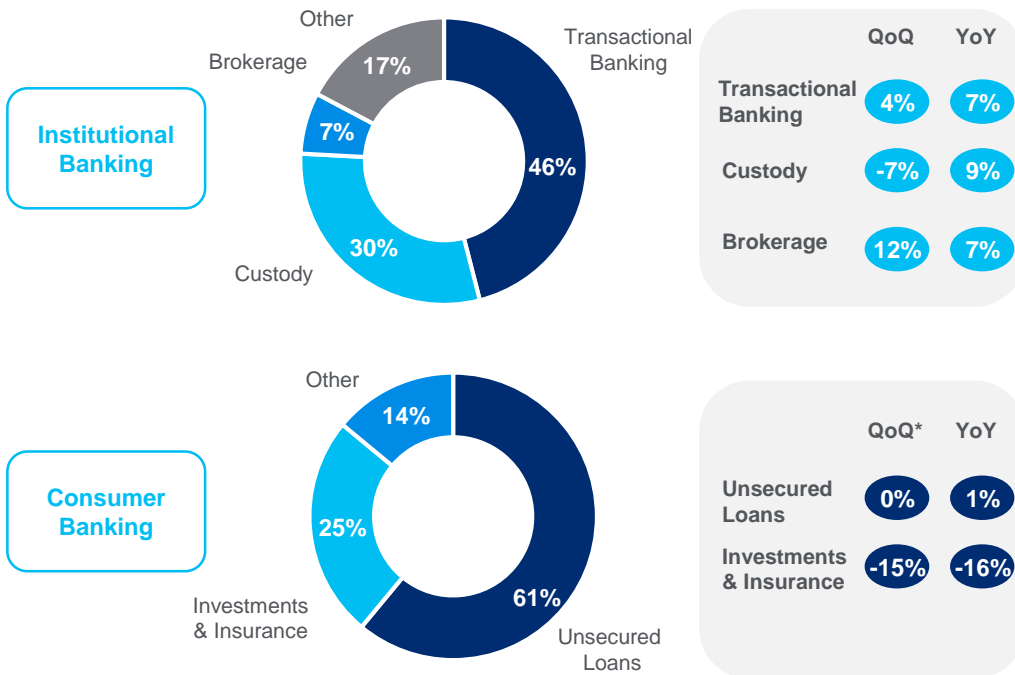
# Net fee & commission income

## Significant growth of NF&C income on regular business

Net fee & commission income (PLN MM)



NF&C income structure and dynamics\* (%)

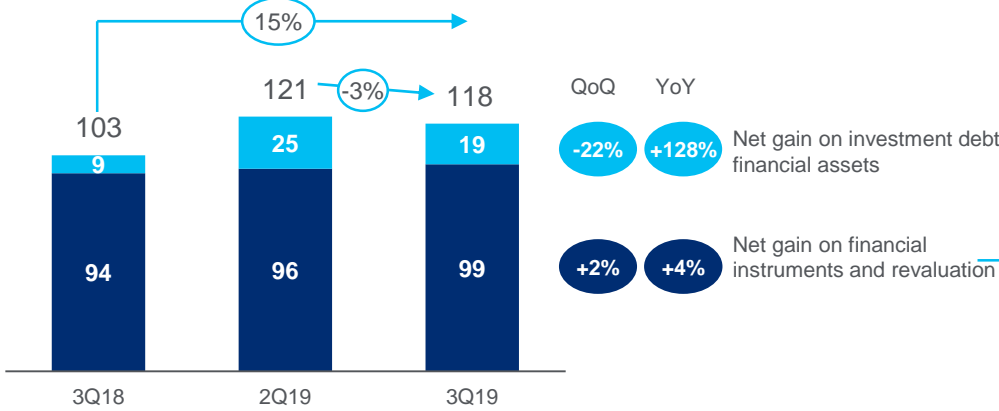


\* Excl. one-off transaction in Consumer Banking in 2Q'19

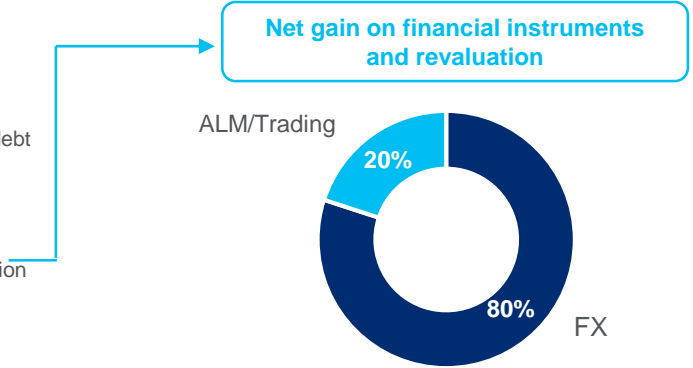
# Treasury result

Strong income on Client Business – confirmation of leading position in FX

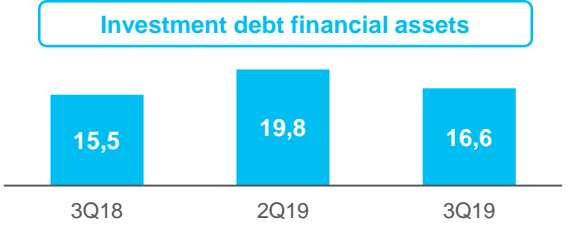
Treasury (PLN MM)



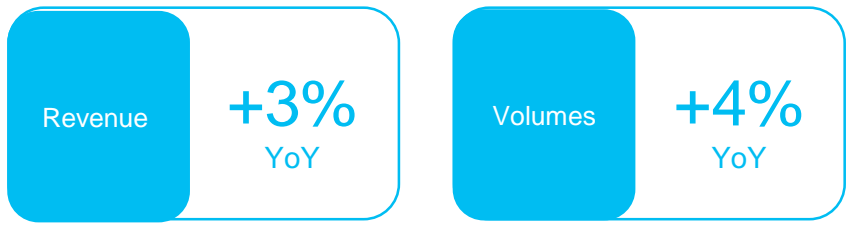
Revenue structure (%)



Securities portfolio (PLN MM)



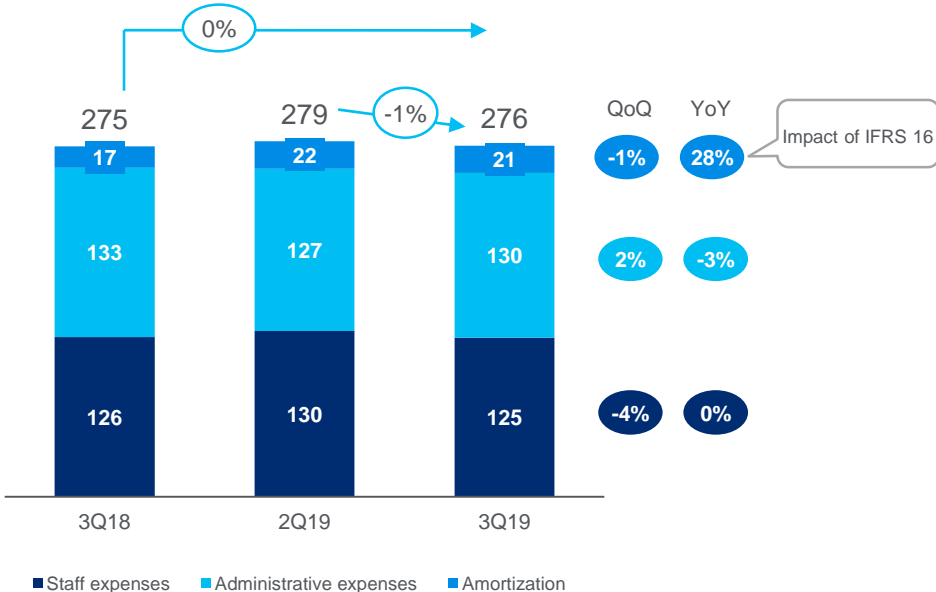
FX – Institutional Clients



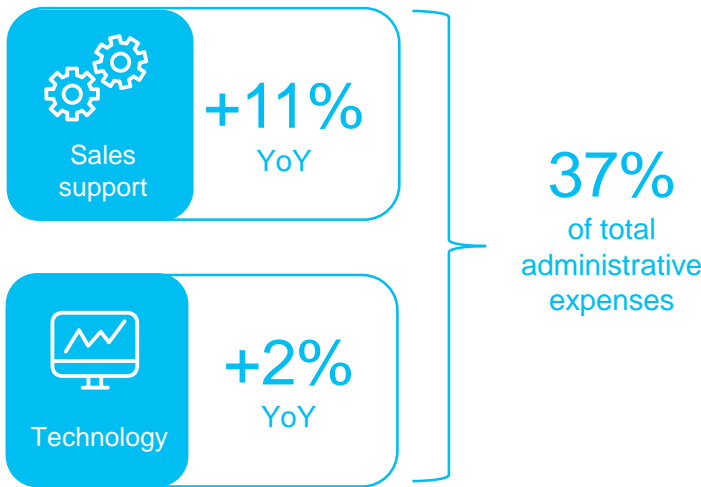
# Operating expenses

Strong cost discipline

Operating expenses (PLN MM)



Expenses dynamics (YTD) and strategic initiatives



C/I 53% 48% 50%

# Appendix

# Total Bank - profit and loss account

PLN MM	3Q18	4Q18	1Q19	2Q19	3Q19	3Q19 vs. 2Q19		3Q19 vs. 3Q18	
						PLN MM	%	PLN MM	%
<b>Net interest income</b>	281	279	277	288	292	3	1%	11	4%
<b>Net fee and commission income</b>	135	134	134	153	142	(12)	(8%)	7	5%
Dividend income	0	0	0	10	1	(9)	(89%)	1	114%
Net gain on trading financial instruments and revaluation	94	77	91	96	99	2	2%	4	4%
Net gain on debt investment financial assets measured at fair value through other comprehensive income	9	25	29	25	19	(5)	(22%)	11	128%
Hedge accounting	-	-	(0)	(0)	(0)	0	(10%)	(0)	-
<b>Treasury</b>	103	102	120	121	118	(3)	(3%)	15	14%
Net gain on other equity instruments	3	(4)	6	7	3	(4)	(57%)	(0)	(7%)
Net other operating income	(4)	1	(0)	(1)	(2)	(1)	103%	1	(36%)
<b>Revenue</b>	519	513	537	579	553	(26)	(4%)	34	7%
Expenses	(259)	(261)	(363)	(258)	(255)	3	(1%)	4	(2%)
Depreciation	(17)	(17)	(21)	(22)	(21)	0	(1%)	(5)	28%
<b>Expenses and depreciation</b>	(275)	(278)	(384)	(279)	(276)	3	(1%)	(1)	0%
<b>Operating margin</b>	244	235	153	299	277	(22)	(7%)	33	14%
Profit/(loss) on sale of tangible fixed assets	0	0	0	(0)	(0)	(0)	728%	(0)	-
<b>Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments</b>	(19)	(12)	(28)	(106)	(91)	15	(14%)	(72)	375%
Share in profits / (losses) of entities valued at the equity method	(0)	(0)	-	-	-	-	-	0	(100%)
Tax on certain financial institutions	(19)	(26)	(22)	(22)	(25)	(3)	14%	(6)	32%
<b>EBIT</b>	205	197	103	170	160	(10)	(6%)	(45)	(22%)
Corporate income tax	(46)	(45)	(43)	(37)	(46)	(9)	24%	0	(0%)
<b>Net profit</b>	158	152	59	133	114	(19)	(15%)	(45)	(28%)
<b>CI ratio</b>	53%	54%	71%	48%	50%				

# Institutional Banking - profit and loss account

PLN MM	3Q18	4Q18	1Q19	2Q19	3Q19	3Q19 vs. 2Q19		3Q19 vs. 3Q18	
						PLN MM	%	PLN MM	%
<b>Net interest income</b>	128	119	119	130	129	(1)	(1%)	1	1%
<b>Net fee and commission income</b>	69	70	73	76	80	4	5%	11	16%
Dividend income	0	0	0	1	1	(0)	(16%)	1	161%
Net gain on trading financial instruments and revaluation	87	70	85	89	92	2	2%	4	5%
Net gain on debt investment financial assets measured at fair value through other comprehensive income	9	25	29	25	19	(5)	(22%)	11	128%
Hedge accounting	-	-	(0)	(0)	(0)	0	(10%)	(0)	-
<b>Treasury</b>	<b>96</b>	<b>95</b>	<b>114</b>	<b>114</b>	<b>111</b>	<b>(3)</b>	<b>(3%)</b>	<b>15</b>	<b>16%</b>
Net gain on other equity instruments	3	(4)	6	6	3	(3)	(51%)	(0)	(7%)
Net other operating income	0	4	3	3	2	(1)	(37%)	1	328%
<b>Revenue</b>	<b>297</b>	<b>284</b>	<b>314</b>	<b>330</b>	<b>325</b>	<b>(5)</b>	<b>(1%)</b>	<b>28</b>	<b>10%</b>
Expenses	(107)	(113)	(202)	(108)	(109)	(1)	1%	(3)	2%
Depreciation	(4)	(5)	(5)	(5)	(5)	0	(2%)	(0)	9%
<b>Expenses and depreciation</b>	<b>(111)</b>	<b>(118)</b>	<b>(207)</b>	<b>(113)</b>	<b>(114)</b>	<b>(1)</b>	<b>0%</b>	<b>(3)</b>	<b>3%</b>
<b>Operating margin</b>	<b>186</b>	<b>166</b>	<b>107</b>	<b>217</b>	<b>211</b>	<b>(5)</b>	<b>(2%)</b>	<b>25</b>	<b>14%</b>
Profit/(loss) on sale of tangible fixed assets	0	0	0	0	0	(0)	-	(0)	-
<b>Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments</b>	<b>4</b>	<b>12</b>	<b>(5)</b>	<b>(77)</b>	<b>(76)</b>	<b>2</b>	<b>(2%)</b>	<b>(80)</b>	<b>-</b>
Tax on certain financial institutions	(14)	(19)	(16)	(16)	(19)	(3)	19%	(5)	38%
Share in profits / (losses) of entities valued at the equity method	(0.2)	(0.0)	-	-	-	-	-	0	(100%)
<b>EBIT</b>	<b>176</b>	<b>158</b>	<b>86</b>	<b>123</b>	<b>116</b>	<b>(7)</b>	<b>(6%)</b>	<b>(60)</b>	<b>(34%)</b>
<b>C/I ratio</b>	<b>37%</b>	<b>42%</b>	<b>66%</b>	<b>34%</b>	<b>35%</b>				



# Consumer Banking - profit and loss account

PLN MM	3Q18	4Q18	1Q19	2Q19	3Q19	3Q19 vs. 2Q19		3Q19 vs. 3Q18	
						PLN MM	%	PLN MM	%
<b>Net interest income</b>	152	160	158	158	162	4	3%	10	6%
<b>Net fee and commission income</b>	66	65	61	77	62	(15)	(20%)	(4)	(6%)
Dividend income	0	0	0	9	-	(9)	(100%)	(0)	(100%)
Net gain on trading financial instruments and revaluation	7	7	6	7	7	(0)	(0%)	(0)	(2%)
Net gain on other equity instruments	-	-	-	1	-	(1)	(100%)	-	-
Net other operating income	(4)	(3)	(3)	(4)	(4)	(0)	6%	0	(2%)
<b>Revenue</b>	<b>222</b>	<b>229</b>	<b>223</b>	<b>248</b>	<b>228</b>	<b>(21)</b>	<b>(8%)</b>	<b>6</b>	<b>3%</b>
Expenses	(152)	(147)	(161)	(149)	(146)	4	(3%)	7	(4%)
Depreciation	(12)	(13)	(16)	(17)	(17)	0	(0%)	(4)	34%
<b>Expenses and depreciation</b>	<b>(165)</b>	<b>(160)</b>	<b>(177)</b>	<b>(166)</b>	<b>(162)</b>	<b>4</b>	<b>(2%)</b>	<b>2</b>	<b>(1%)</b>
<b>Operating margin</b>	<b>57</b>	<b>69</b>	<b>46</b>	<b>82</b>	<b>65</b>	<b>(17)</b>	<b>(21%)</b>	<b>8</b>	<b>14%</b>
<b>Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments</b>	<b>(23)</b>	<b>(24)</b>	<b>(24)</b>	<b>(29)</b>	<b>(15)</b>	<b>14</b>	<b>(47%)</b>	<b>8</b>	<b>(34%)</b>
Tax on certain financial institutions	(5)	(7)	(6)	(6)	(6)	(0)	0%	(1)	15%
<b>EBIT</b>	<b>29</b>	<b>39</b>	<b>17</b>	<b>47</b>	<b>44</b>	<b>(3)</b>	<b>(7%)</b>	<b>15</b>	<b>51%</b>
<b>C/I ratio</b>	<b>74%</b>	<b>70%</b>	<b>79%</b>	<b>67%</b>	<b>71%</b>				

# Balance Sheet - assets

PLN B	End of period					3Q19 vs. 4Q18		3Q19 vs. 3Q18	
	3Q18	4Q18	1Q19	2Q19	3Q19	PLN B	%	PLN B	%
<b>Cash and balances with the Central Bank</b>	<b>0.7</b>	<b>7.3</b>	<b>0.4</b>	<b>0.4</b>	<b>3.4</b>	<b>(3.9)</b>	<b>(53%)</b>	<b>2.8</b>	<b>417%</b>
Amounts due from banks	0.9	1.3	0.8	1.0	0.9	(0.4)	(32%)	0.0	3%
Financial assets held-for-trading	4.2	2.2	6.0	5.7	5.3	3.1	137%	1.1	26%
<b>Debt financial assets measured at fair value through other comprehensive income</b>	<b>15.5</b>	<b>14.2</b>	<b>17.3</b>	<b>19.8</b>	<b>16.6</b>	<b>2.4</b>	<b>17%</b>	<b>1.1</b>	<b>7%</b>
<b>Customer loans</b>	<b>21.6</b>	<b>21.9</b>	<b>22.5</b>	<b>22.1</b>	<b>23.3</b>	<b>1.3</b>	<b>6%</b>	<b>1.7</b>	<b>8%</b>
<b>Financial sector entities</b>	<b>2.4</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>	<b>2.9</b>	<b>0.8</b>	<b>36%</b>	<b>0.5</b>	<b>23%</b>
including reverse repo receivables	0.1	0.2	0.2	0.0	0.3	0.1	39%	0.2	333%
<b>Non-financial sector entities</b>	<b>19.2</b>	<b>19.8</b>	<b>20.4</b>	<b>20.0</b>	<b>20.4</b>	<b>0.6</b>	<b>3%</b>	<b>1.1</b>	<b>6%</b>
<b>Institutional Banking</b>	<b>12.2</b>	<b>12.6</b>	<b>13.3</b>	<b>12.8</b>	<b>13.0</b>	<b>0.3</b>	<b>3%</b>	<b>0.8</b>	<b>7%</b>
<b>Consumer Banking</b>	<b>7.1</b>	<b>7.2</b>	<b>7.1</b>	<b>7.2</b>	<b>7.4</b>	<b>0.2</b>	<b>3%</b>	<b>0.3</b>	<b>4%</b>
Unsecured receivables	5.5	5.5	5.4	5.5	5.5	0.0	0%	0.1	1%
Credit cards	2.7	2.7	2.6	2.7	2.7	0.0	1%	0.1	2%
Cash loans	2.7	2.7	2.7	2.7	2.7	0.0	0%	0.0	0%
Other unsecured receivables	0.1	0.1	0.1	0.0	0.1	(0.0)	(5%)	0.0	7%
Mortgage	1.6	1.6	1.7	1.8	1.8	0.2	11%	0.2	14%
Other assets	2.3	2.3	2.5	2.5	2.4	0.2	8%	0.1	5%
<b>Total assets</b>	<b>45.2</b>	<b>49.3</b>	<b>49.5</b>	<b>51.5</b>	<b>52.0</b>	<b>2.7</b>	<b>5%</b>	<b>6.8</b>	<b>15%</b>

# Balance Sheet – Liabilities and Equity

PLN B	End of period				
	3Q18	4Q18	1Q19	2Q19	3Q19
Liabilities due to banks	2.4	1.4	3.8	4.3	5.0
Financial liabilities held-for-trading	1.3	1.6	1.5	1.7	2.0
<b>Financial liabilities due to customers</b>	<b>33.4</b>	<b>38.3</b>	<b>35.6</b>	<b>37.0</b>	<b>36.4</b>
Financial sector entities - deposits	5.7	7.0	6.5	6.6	4.6
<b>Non-financial sector entities - deposits</b>	<b>27.4</b>	<b>31.1</b>	<b>28.9</b>	<b>30.1</b>	<b>31.5</b>
Institutional Banking	16.1	19.2	16.7	17.7	18.3
Consumer Banking	11.3	11.9	12.2	12.4	13.2
Other financial liabilities	0.2	0.3	0.3	0.2	0.0
Other liabilities	1.3	0.9	1.5	1.6	1.6
<b>Total liabilities</b>	<b>38.3</b>	<b>42.2</b>	<b>42.5</b>	<b>44.7</b>	<b>45.0</b>
<b>Equity</b>	<b>6.8</b>	<b>7.1</b>	<b>7.1</b>	<b>6.8</b>	<b>7.0</b>
<b>Total liabilities &amp; equity</b>	<b>45.2</b>	<b>49.3</b>	<b>49.5</b>	<b>51.5</b>	<b>52.0</b>
Loans / Deposits ratio	65%	57%	63%	60%	64%
<b>Total Capital Ratio</b>	<b>16.9%</b>	<b>16.8%</b>	<b>16.2%</b>	<b>16.6%</b>	<b>16.3%</b>
<b>NPL*</b>	<b>3.1%</b>	<b>3.0%</b>	<b>3.1%</b>	<b>4.1%</b>	<b>4.0%</b>

3Q19 vs. 4Q18		3Q19 vs. 3Q18	
PLN B	%	PLN B	%
3.6	256%	2.6	111%
0.4	24%	0.7	57%
<b>(1.9)</b>	<b>(5%)</b>	<b>3.1</b>	<b>9%</b>
<b>(2.4)</b>	<b>(35%)</b>	<b>(1.1)</b>	<b>(19%)</b>
<b>0.5</b>	<b>2%</b>	<b>4.1</b>	<b>15%</b>
<b>(0.9)</b>	<b>(4%)</b>	<b>2.2</b>	<b>13%</b>
<b>1.3</b>	<b>11%</b>	<b>1.9</b>	<b>17%</b>
<b>(0.3)</b>	<b>(100%)</b>	<b>(0.2)</b>	<b>(100%)</b>
<b>0.7</b>	<b>72%</b>	<b>0.2</b>	<b>18%</b>
<b>2.7</b>	<b>6%</b>	<b>6.7</b>	<b>17%</b>
<b>(0.1)</b>	<b>(1%)</b>	<b>0.2</b>	<b>2%</b>
<b>2.7</b>	<b>5%</b>	<b>6.8</b>	<b>15%</b>

\*as reported, incl. reverse repo