

Erste Group Investor Conference 2012

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Stegersbach,

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Executive summary

- **Poland:**

- the biggest and most stable economy in the region (*nominal 2011 GDP: PLN 1,525 B, 50% of CEE GDP*)
- slowdown, but likely not a recession (*GDP change in 2012F: 2.4%; in 2013F: 2.2%*)

- **Banking sector:**

- moderate growth in 1H 2012 (*revenue +7% YoY, net income +3% YoY*)
- signs of slowdown in 2Q 2012 (*net income -7% YoY, unsecured lending -3% YoY, mortgage loans sales -25% YoY, negative margins on retail time deposits, equity turnover on WSE -35% YoY*)
- 2012 results under pressure (*growth of cost of credit driven by construction sector problems and consumer loans, expected decrease of nominal interest rates by 100 bp within 1 year*)

- **Citi Handlowy:**

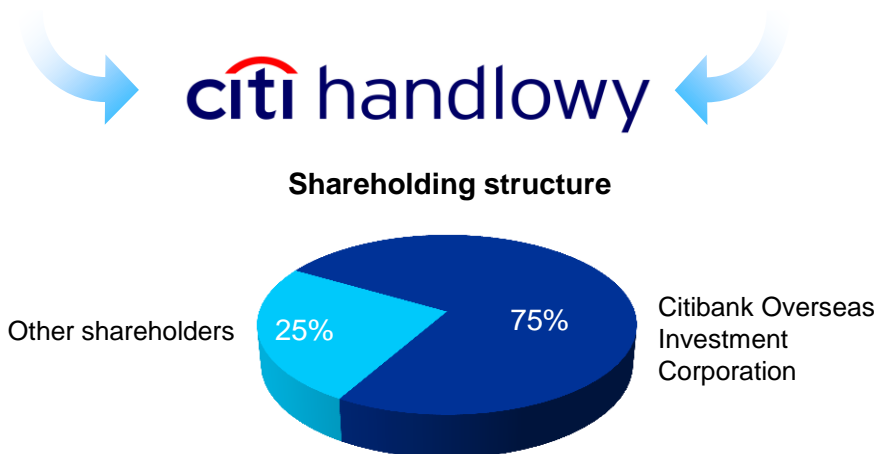
- top 5 bank in Poland
6% market share in terms of net profit
- strong capital and liquidity positions
CAR 18.3% - tier 1 only, loans/deposits 77%
- high efficiency
ROTE 18.7%, ROA 2.2%, C/I 55%
- leading corporate & commercial bank
#1 in FX, custody services and brokerage servicing 75 out of 100 top-tier local companies
- leader in credit cards
*23% market share in transaction volumes
19% market share in credit cards' loans*
- commitment to community
financial education, national heritage, environment protection

BANK HANDLOWY W WARSZAWIE SA

The oldest operating commercial bank in Poland with strong local relationships and well placed local network

CITIBANK⁺

One of the world's largest financial institution with global clients, global products and global network



Citi Handlowy strategic directions for 2012-2015

CORE STRENGTHS

- Strong capital base and high liquidity (meeting Basel III requirements)
- Leading position in FX, Cash Mgmt, securities & custody services, brokerage and cards
- Access to Citi global network, product expertise and global clients
- Quality and Innovation culture
- Centralized and high-quality operations
- Talented and well-qualified employees

KEY FOCUS AREAS

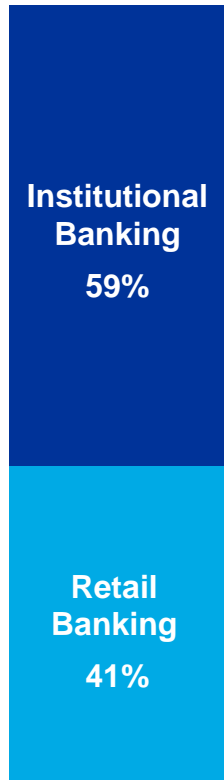
- Intensified efforts aimed at increasing efficiency both in retail and corporate segment
- Concentration on largest cities (G9) – branch network realignment
- Focus on affluent and emerging affluent customers
- Credit cards and operating accounts as key focus products
- Emerging Market Champions (in Poland and abroad)
- New clients acquisition within SME segment

ASPIRATIONS

- #1 in Cards, global subsidiaries, FX, securities & custody services
- Top 3 in servicing largest Polish Corporates, Cash Management and Trade
- NPS >30% in leading products and clients segments
- Top 5 bank in Poland in terms of EBIT
- Operating Efficiency: C/I ~50%
- Assets Profitability (ROA): Top 3 bank in Poland

Diversified revenue stream

PLN 1.4 B



1H 2012

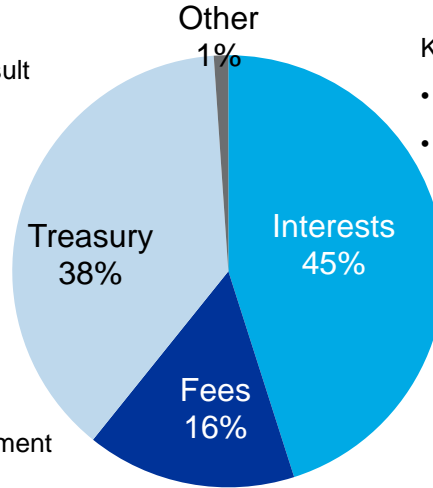
Institutional Banking

Key drivers:

- Customer result
- Trading
- AFS

Key drivers:

- Custody
- Brokerage
- Cash management



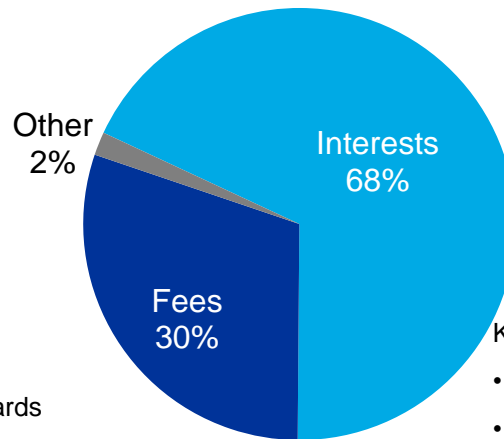
Key drivers:

- Debt securities
- Customer business

Retail Banking

Key drivers:

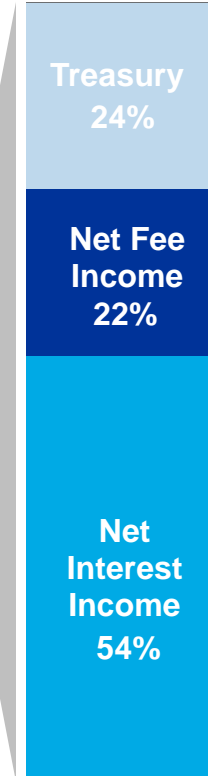
- Credit cards
- Investment & insurance products



Key drivers:

- Cash and mortgage loans
- Credit cards
- Operating accounts

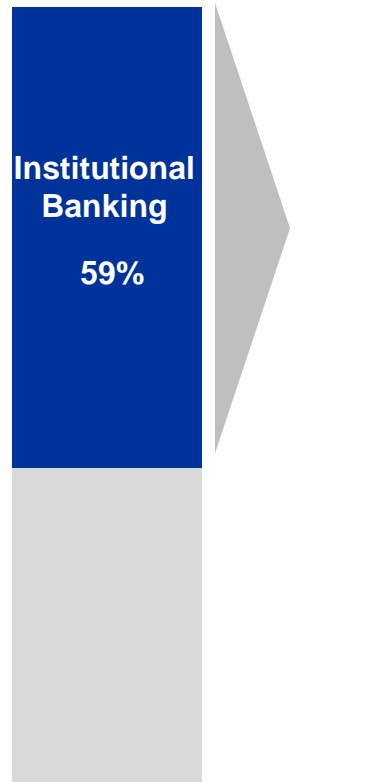
PLN 1.4 B



1H 2012

Diversified revenue stream – key drivers in Institutional Banking

PLN 1.4 B



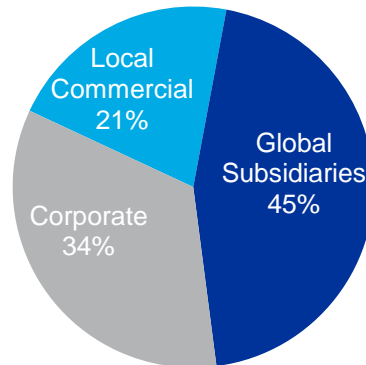
1H 2012

Local Corporates	Global Subsidiaries	Local Commercial
<i>Servicing 75 out of Top 100 companies in Poland</i>	<i>Access to Citi global network, products, relationships and expertise</i>	<i>Focus on operating accounts and clients acquisition</i>
PRODUCTS		
Transaction Services <ul style="list-style-type: none"> • Cash • Trade • Custody 	Markets <ul style="list-style-type: none"> • FX & Derivatives • Debt Securities • Equities 	Investment Banking <ul style="list-style-type: none"> • M&A advisory • ECM

#1 in Custody services
44% market share

#1 in Equities turnover
11% market share

1H 2012 Revenue split



#1 in Customer FX
2012 Euromoney ranking

Debt securities
Polish government bonds and Central Bank bills

citi handlowy
IPO of JSW

Joint Global Coordinator

citi handlowy
IPO of GPW

Joint Global Coordinator

citi handlowy
Tender offer

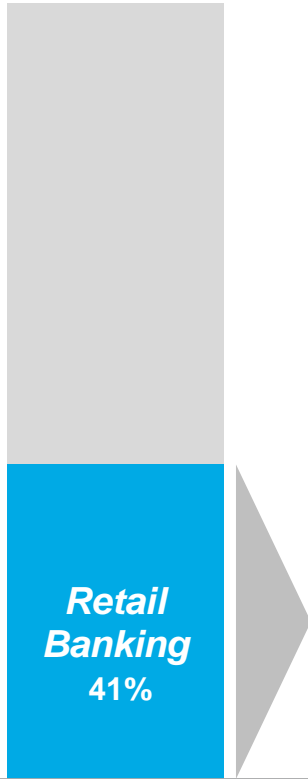
on BZ WBK shares

citi handlowy
was advising the Mgmt Board of

POLSKA MIEDŹ S.A.
with acquisition of Quadra FNX

Diversified revenue stream – key drivers in Retail Banking

PLN 1.4 B



1H 2012



#1 in transaction volume

23% market share

#1 in credit cards loans

19% market share

#1 in co-branded cards

Investment and insurance products

40% of net fee income

Focus on affluent customers

+25% YoY in number of customers

Cash loans

55% of interest income of Retail Banking

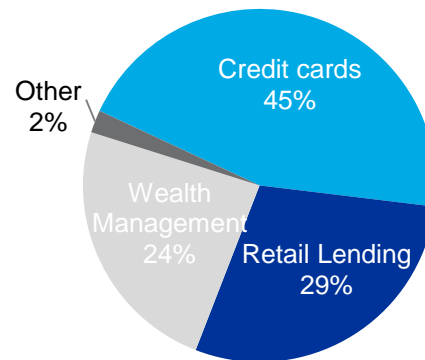
Operating accounts

+9% YoY in number of operating accounts

Mortgage loans

+14% QoQ volumes growth

1H 2012 Revenue split

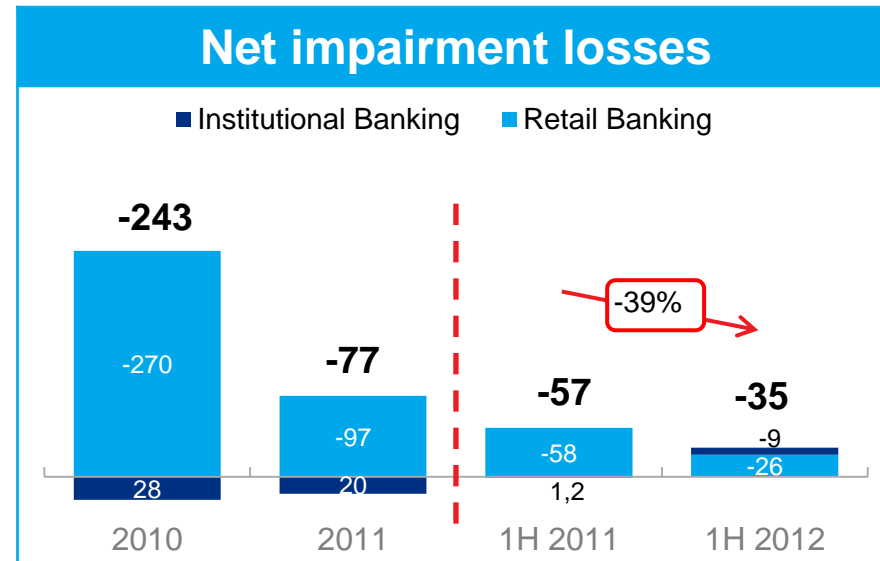
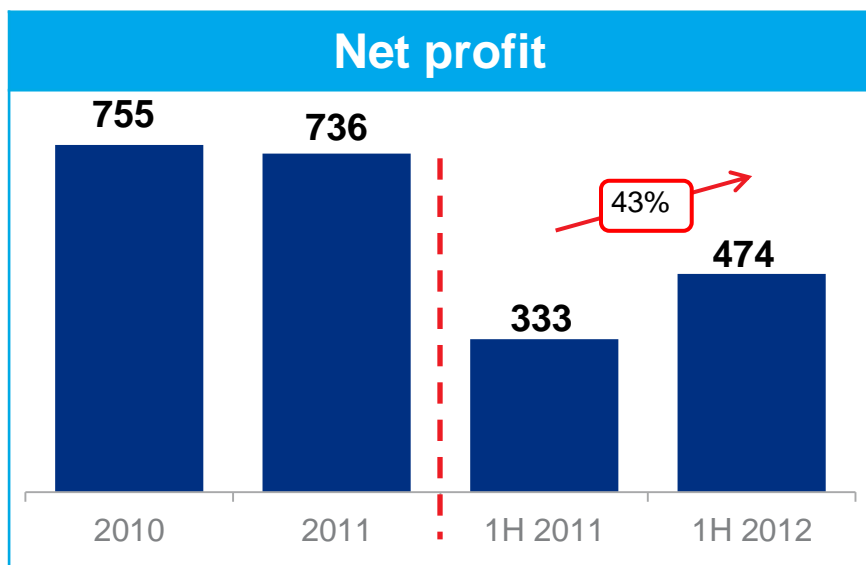
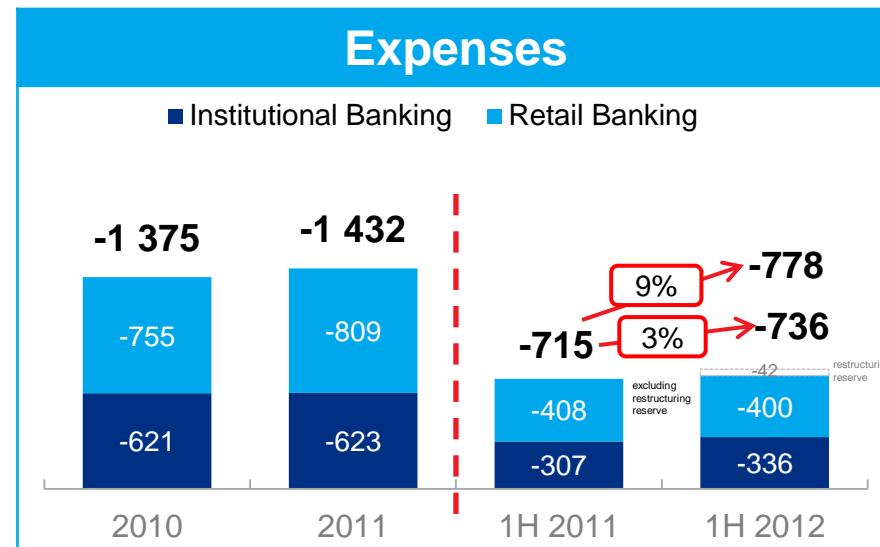
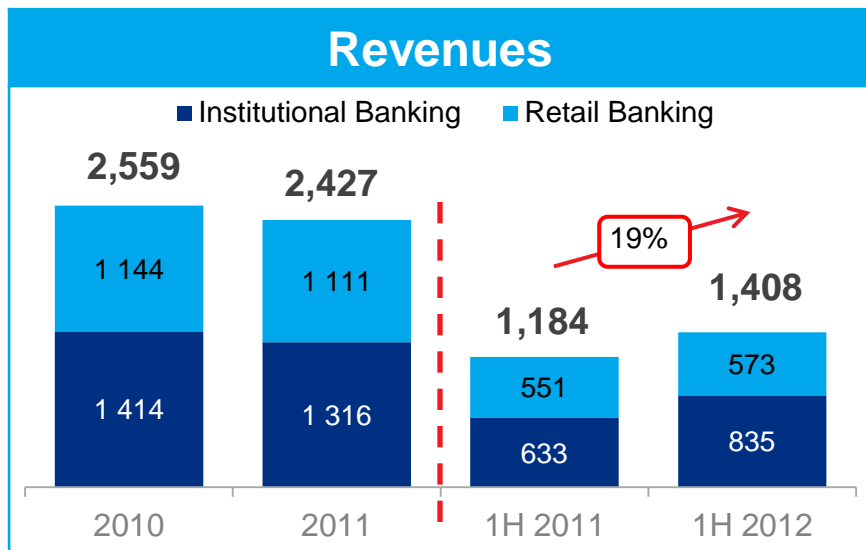


G-9 strategy
focus on 9 largest cities in Poland

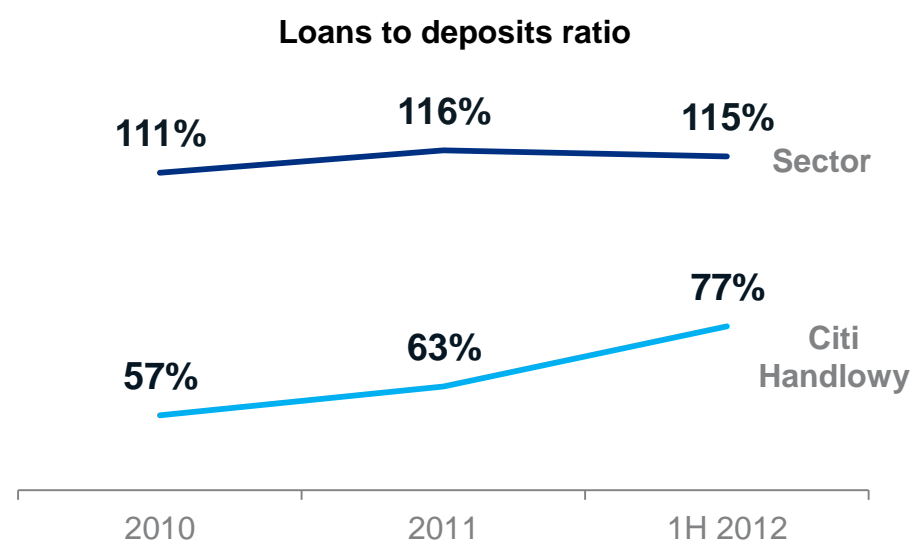
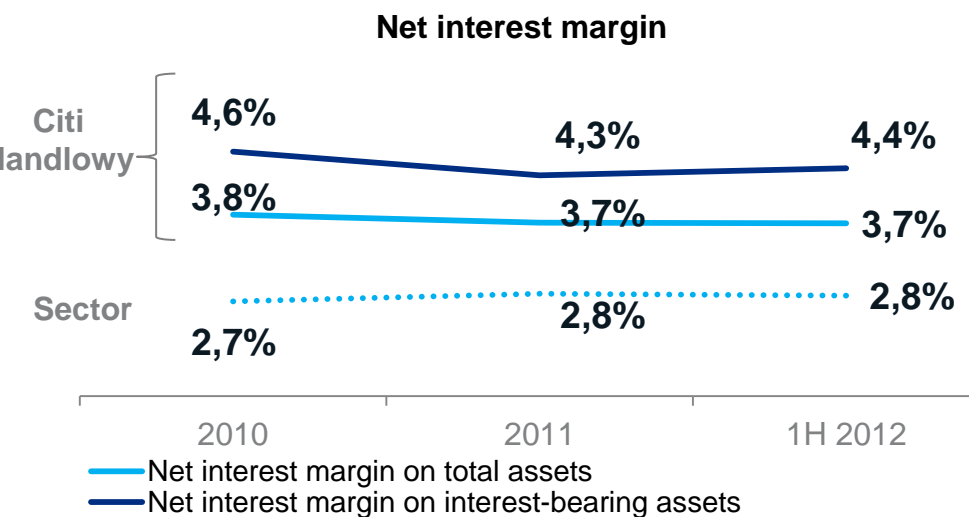
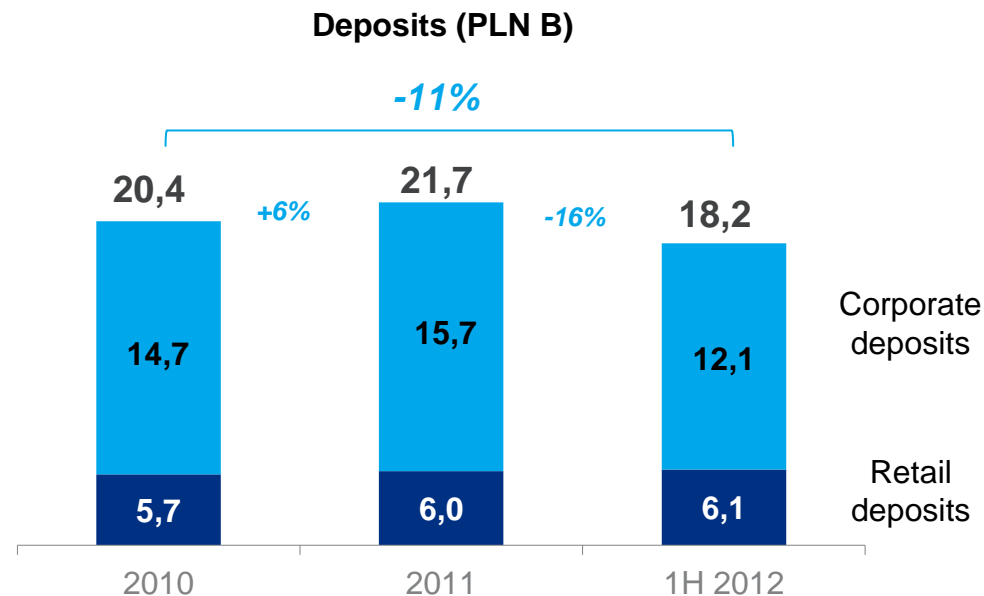
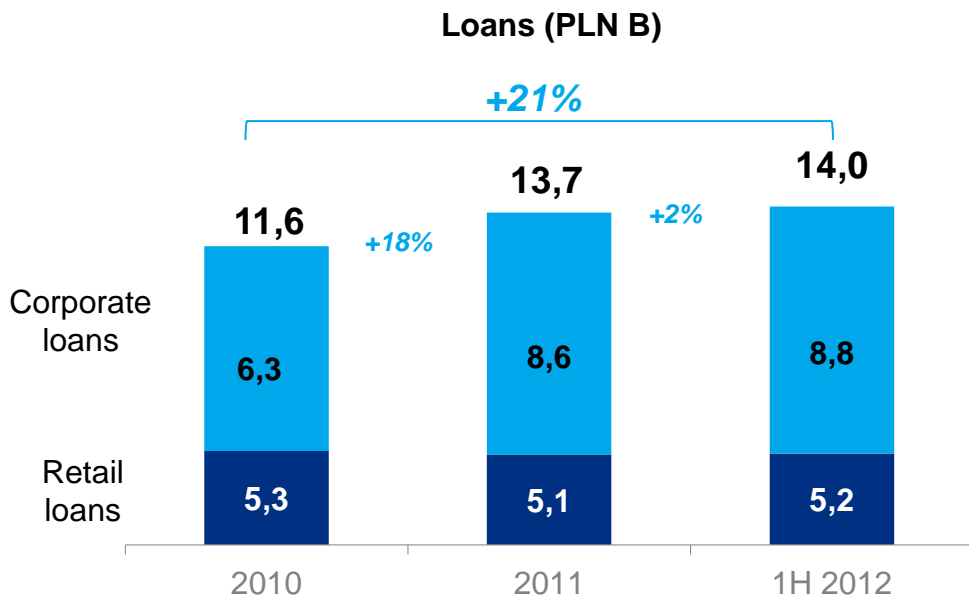
Innovation and convenience
as the main differentiating factors supported by the new products

Digitization
actively developing mobile payment systems and technology

Citi Handlowy – financial results (PLN MM)



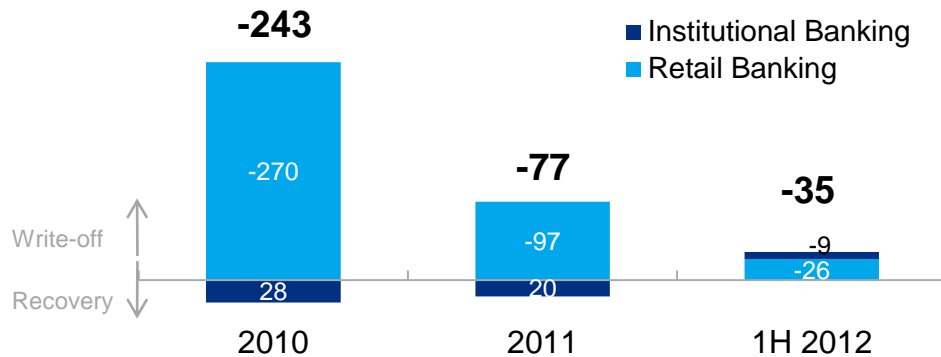
Liquidity position allowing for assets growth



Margin at 2011 excluding one-off transaction with Banco Santander

Cost of risk

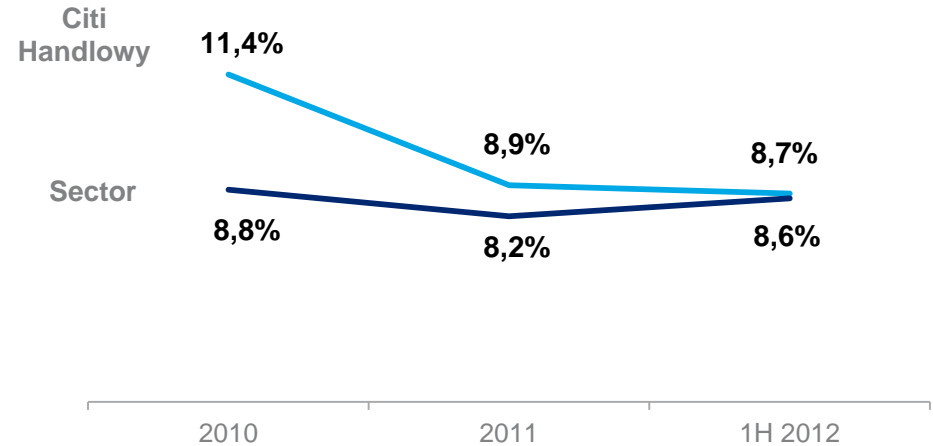
Net impairment losses (PLN MM)



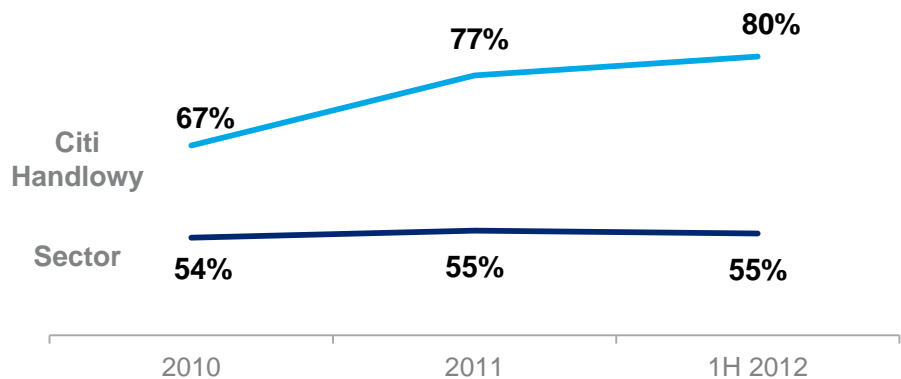
Cost of risk

	2010	2011	1H 2012
Citi Handlowy	2.1%	0.6%	0.4%
Sector	1.7%	1.2%	1.2%

Non-performing loans ratio (NPL)

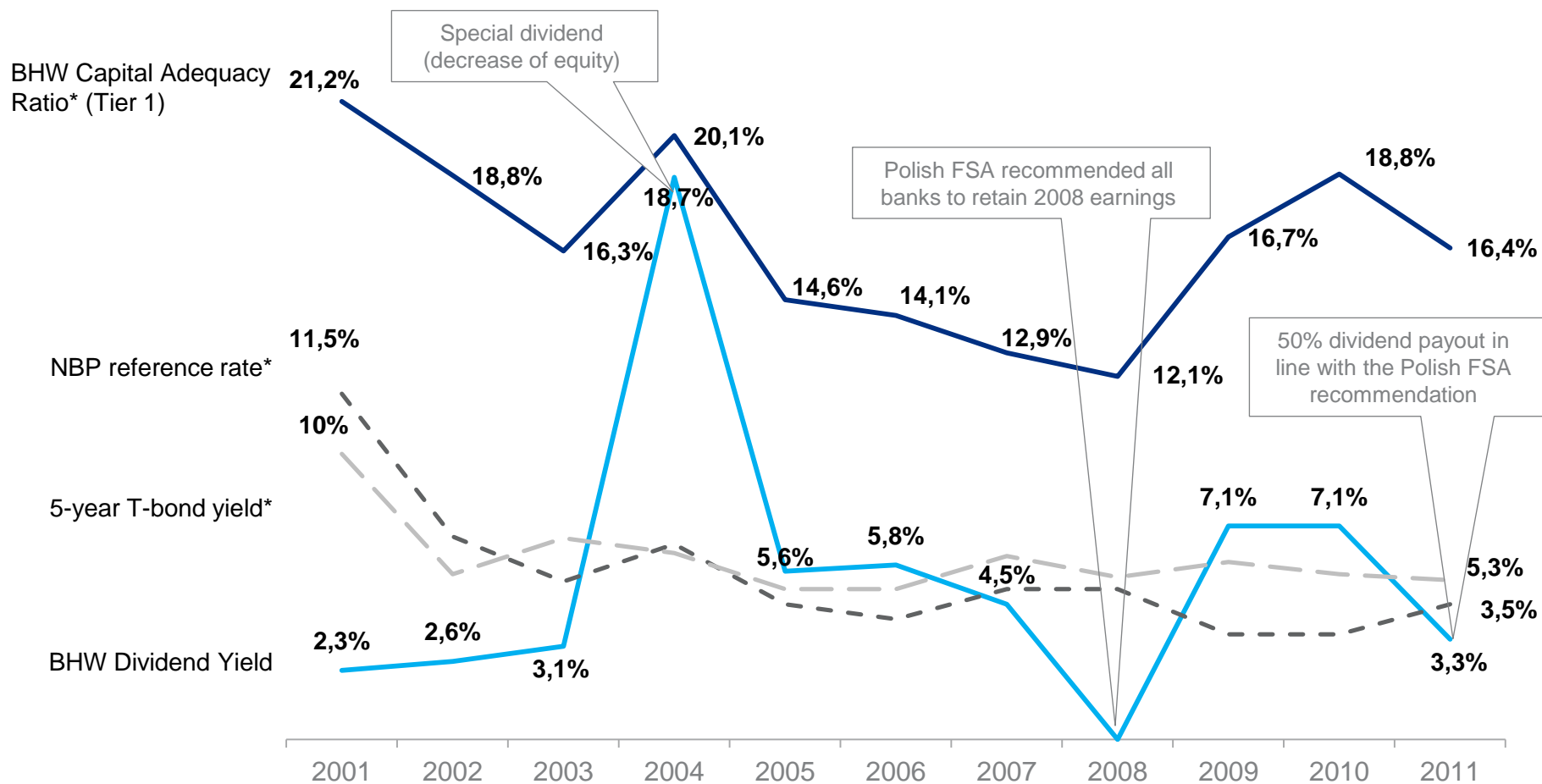


Provision coverage ratio



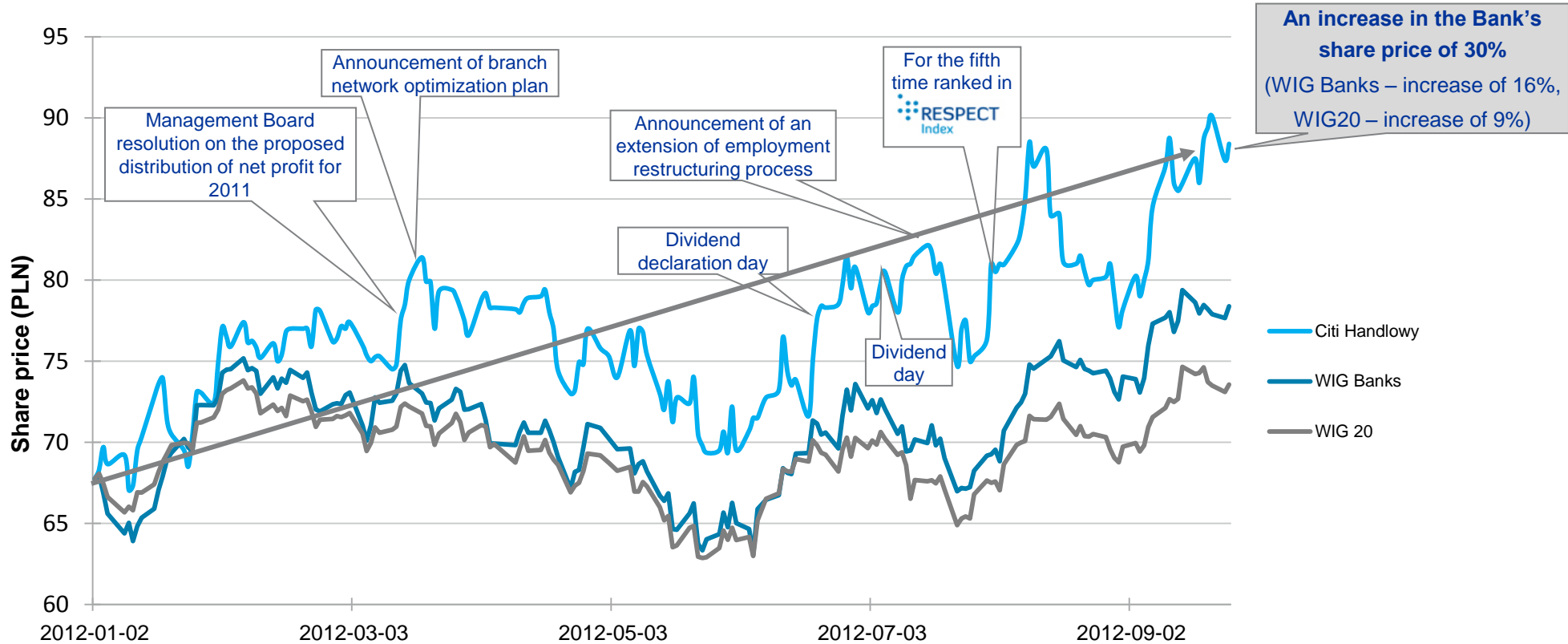
- Improvement of quality of retail loans portfolio reflecting changes in credit policies made in the previous years
- Continuous improvement of NPL ratio
- Provision coverage at a high level of 80%

Strong capital base



*End of year values

Citi Handlowy stock performance in 2012



Citi Handlowy

Stock performance indicators

Stock performance indicators	January 2012	September 2012	Change
Market cap (PLN MM)	8.9	11.6	30%
Free float (PLN MM)	2.2	2.9	30%
P/E	12.5	13.1	5%
P/BV	1.4	1.7	22%

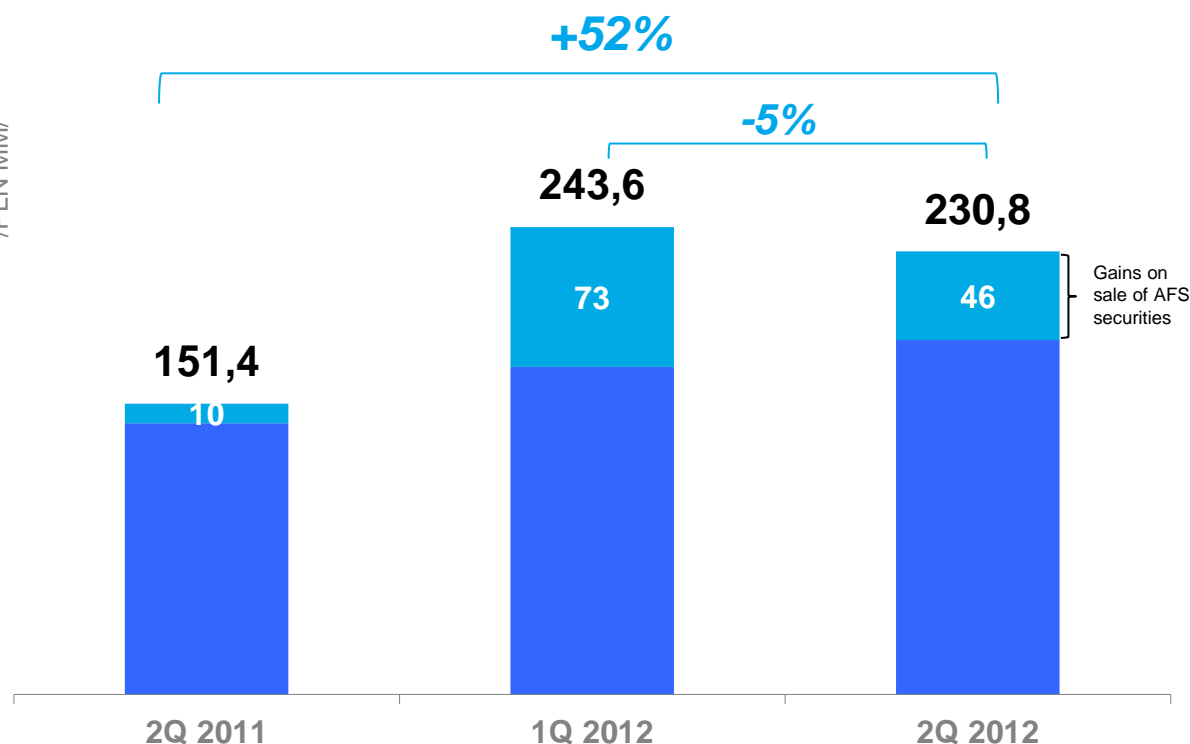
Appendix

2Q 2012 results

Another quarter of solid net profit

NET PROFIT

/PLN MM/



ROE 14.8%

↑ 1.1 p.p. QoQ 1.9 p.p. YoY

ROA 2.2%

↑ 0.2 p.p. QoQ 0.5 p.p. YoY

Cost/Income 54%

↓ 1.9 p.p. QoQ 9.7 p.p. YoY

Loans/Deposits 77%

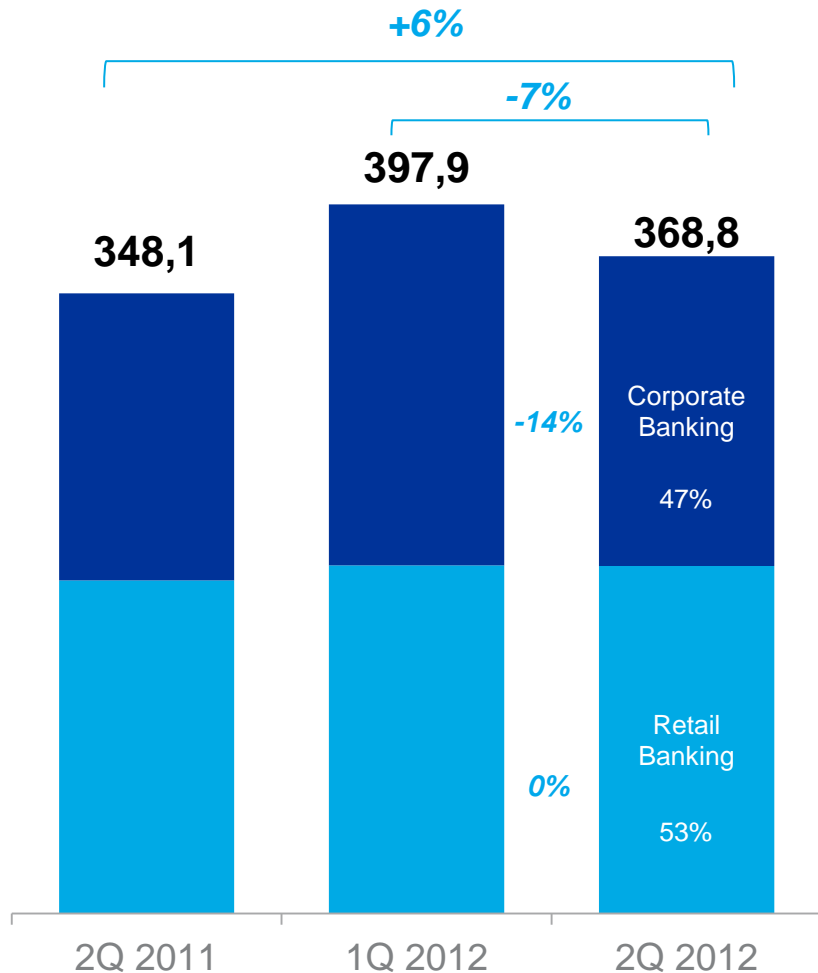
↑ 9.0 p.p. QoQ 8.0 p.p. YoY

CAR 18.3%

↑ 0.3 p.p. QoQ 0.4 p.p. YoY

Net interest income

Net interest income (PLN MM)



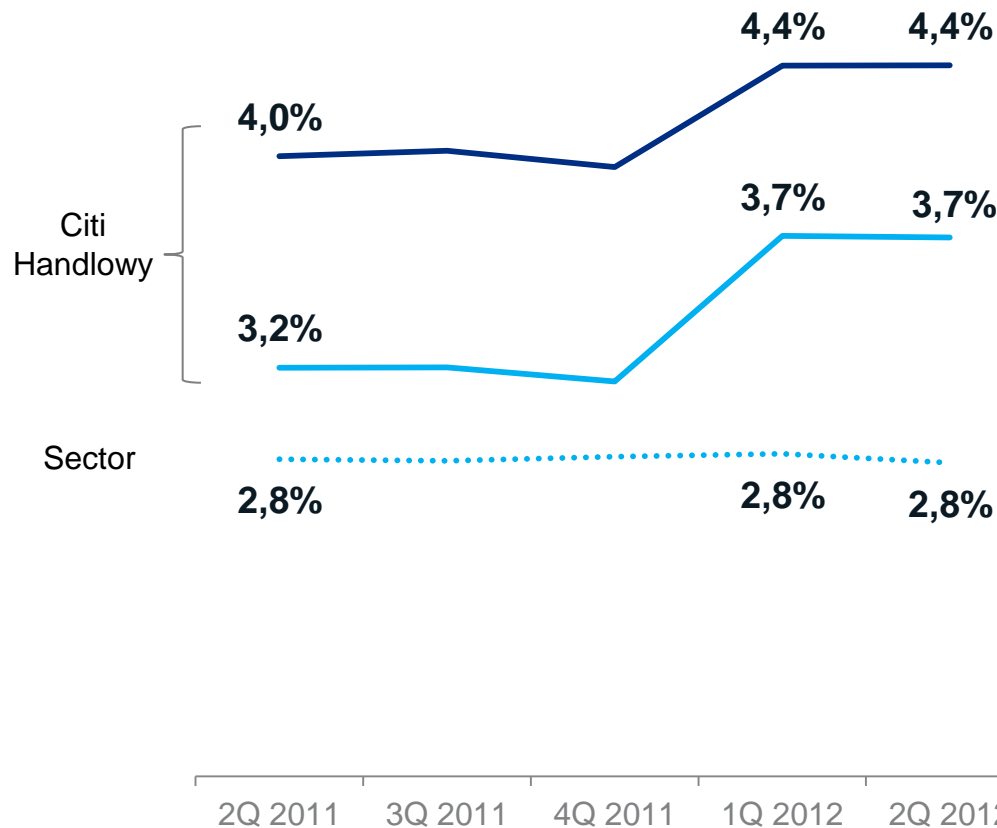
↓ **12%** QoQ

Debt securities

↑ **2%** QoQ

Customer activity

Net interest margin – Bank vs. sector



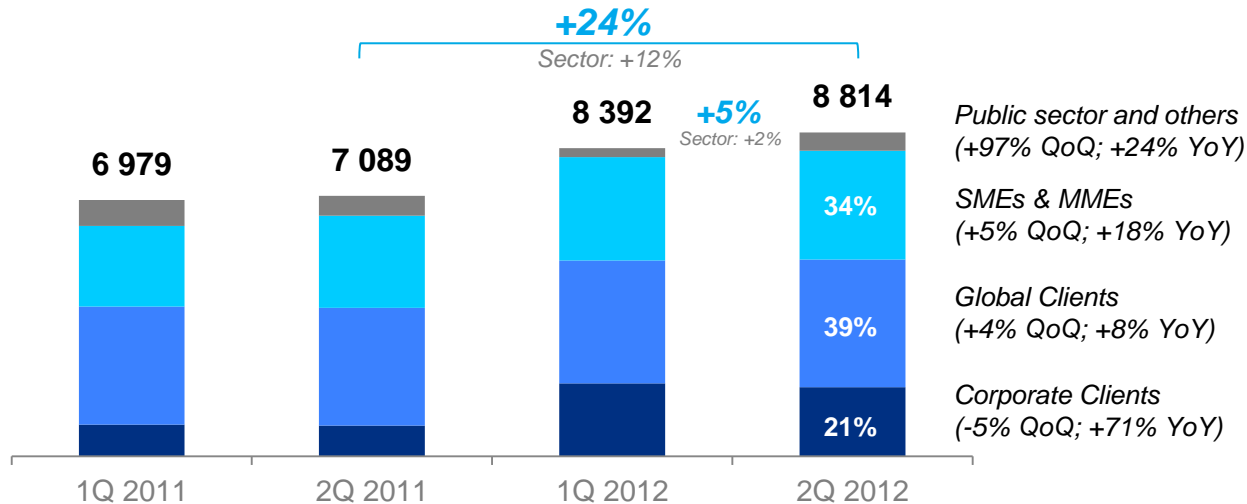
— Net interest margin on total assets

— Net interest margin on interest-bearing assets

Corporate, commercial & retail loans

Corporate & commercial loans

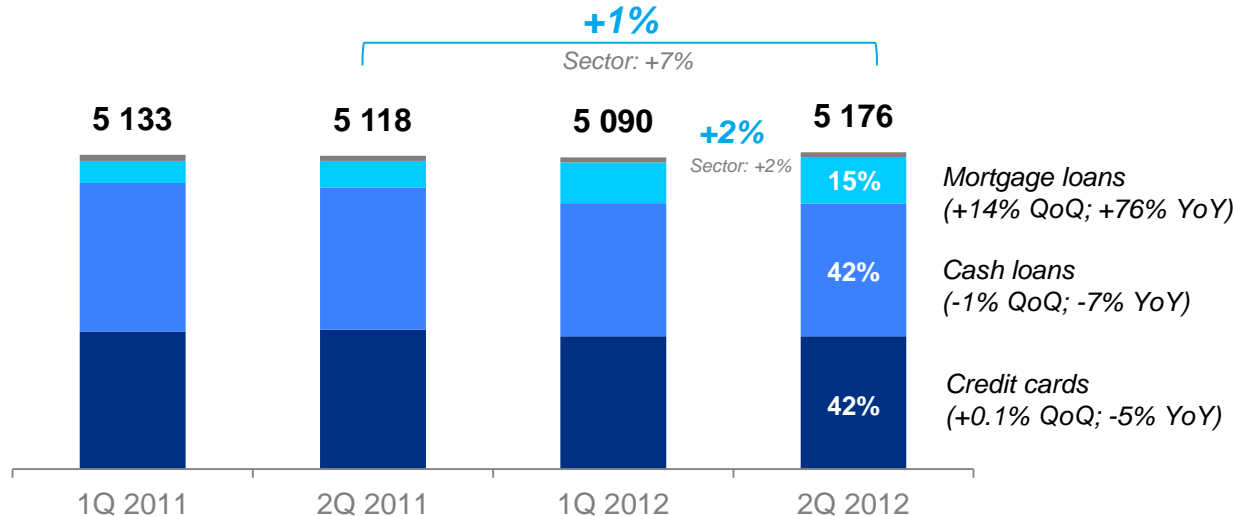
/PLN MM/



- Double-digit annual growth of total loans volume (**24%** YoY vs. 12% YoY in sector)
- An increase of loans volume in 2Q 2012 after a decline in 1Q 2012

Retail loans

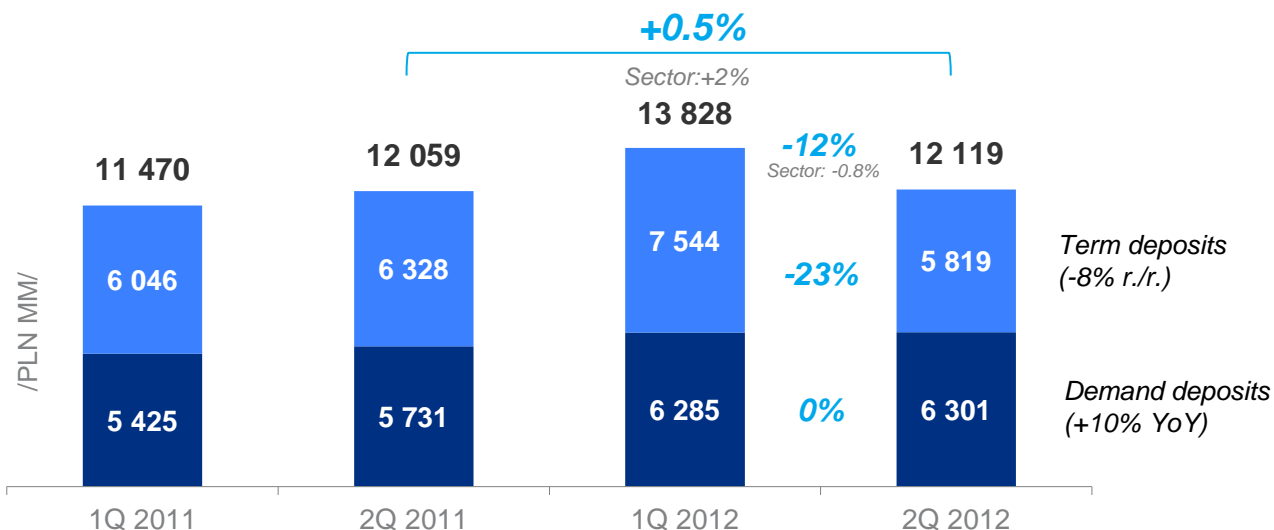
/PLN MM/



- Downward trend in retail loans stopped – growth by **2%** QoQ
- Maintained double-digit growth of mortgage loans (**+14%** QoQ)

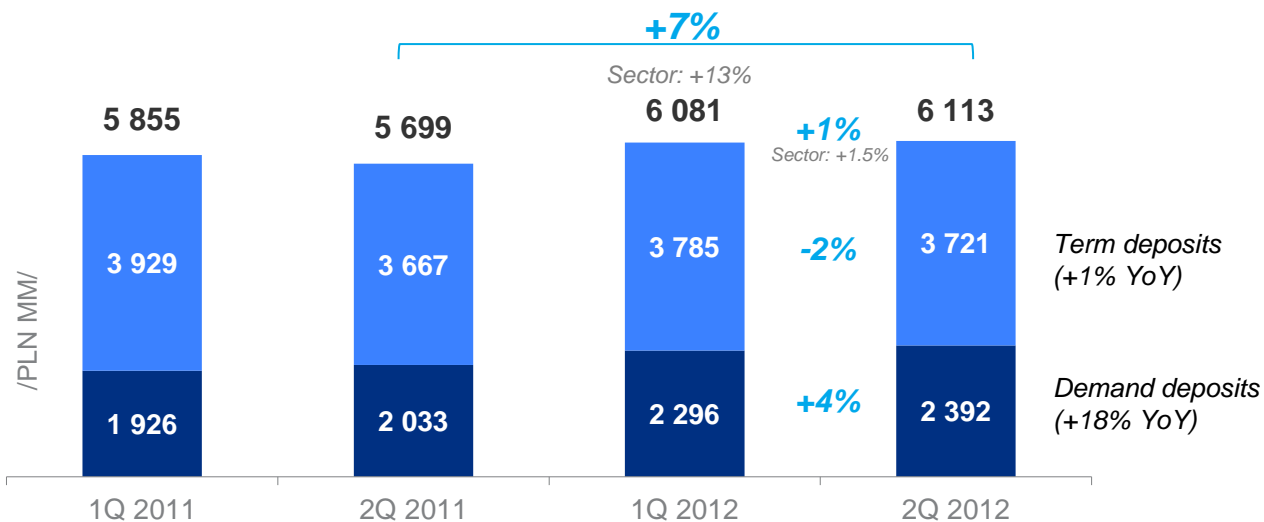
Deposits – focus on operating accounts

Corporate deposits



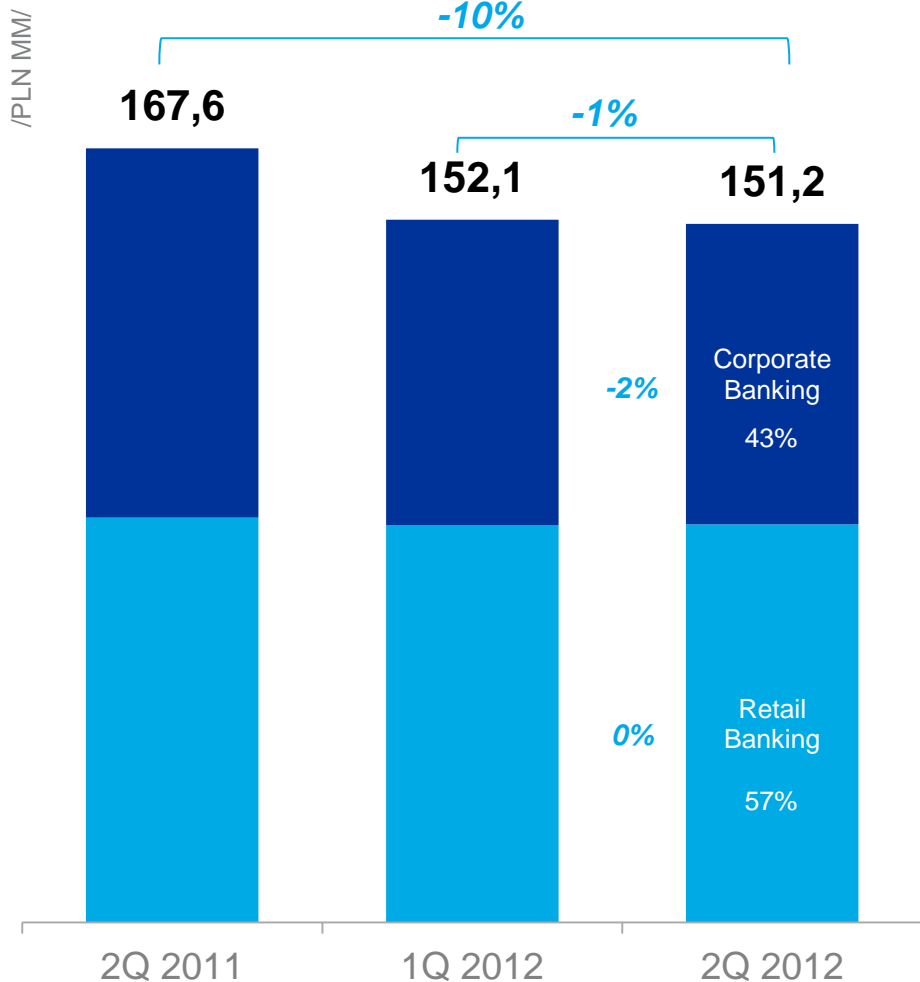
- Decline of term deposits with demand deposits remaining stable in 2Q 2012
- Total deposits volume nearly unchanged in annual terms

Retail deposits

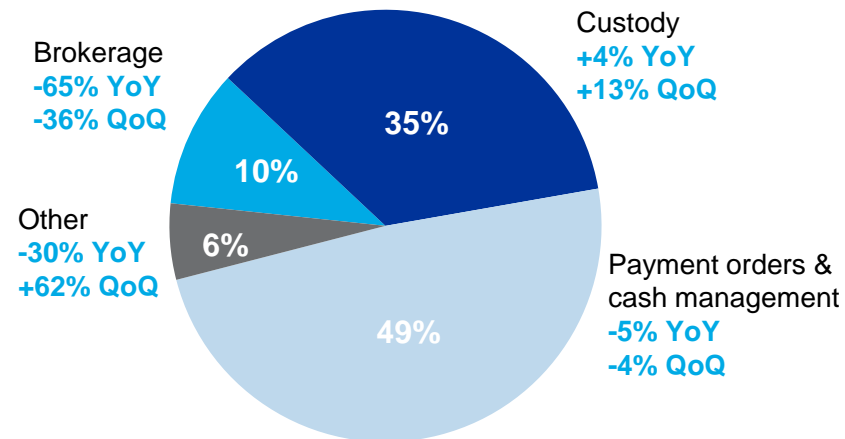


- Stable growth of retail deposits (+1% QoQ, +7% YoY)
- Another quarter of demand deposits increase – the effect of consistent focus on operating accounts

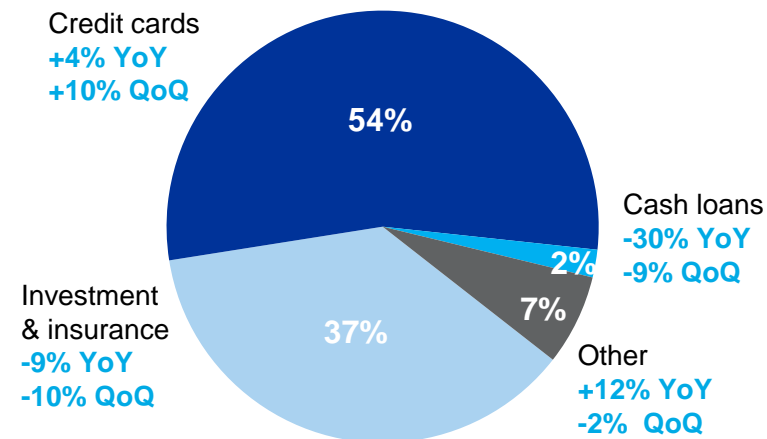
Net fee and commission income maintained at a stable level



Corporate Banking -2% QoQ and -19% YoY

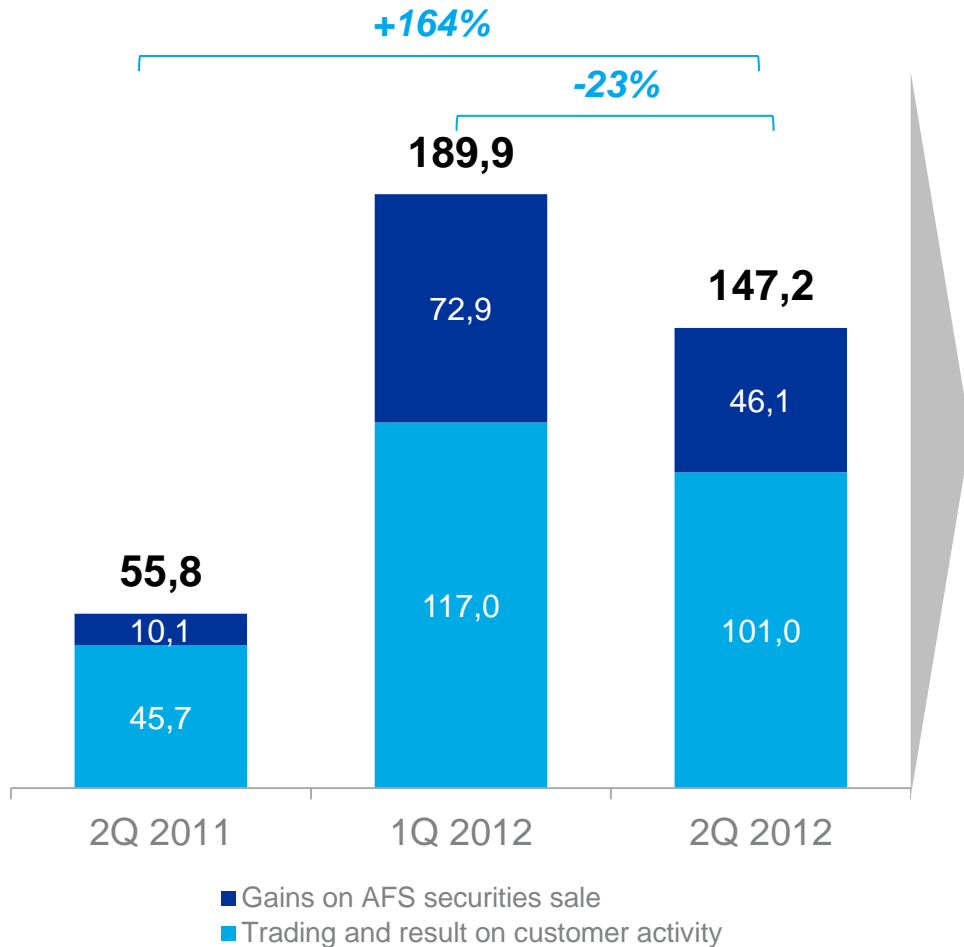


Retail Banking 0% QoQ and -2% YoY

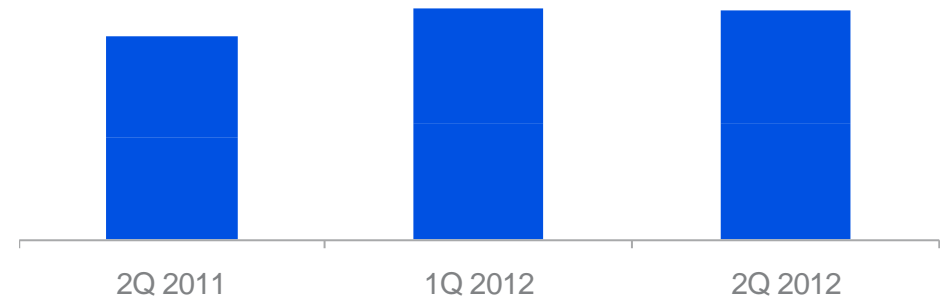


Treasury result

Treasury result (PLN MM)



Result on customer operations



Result on proprietary management

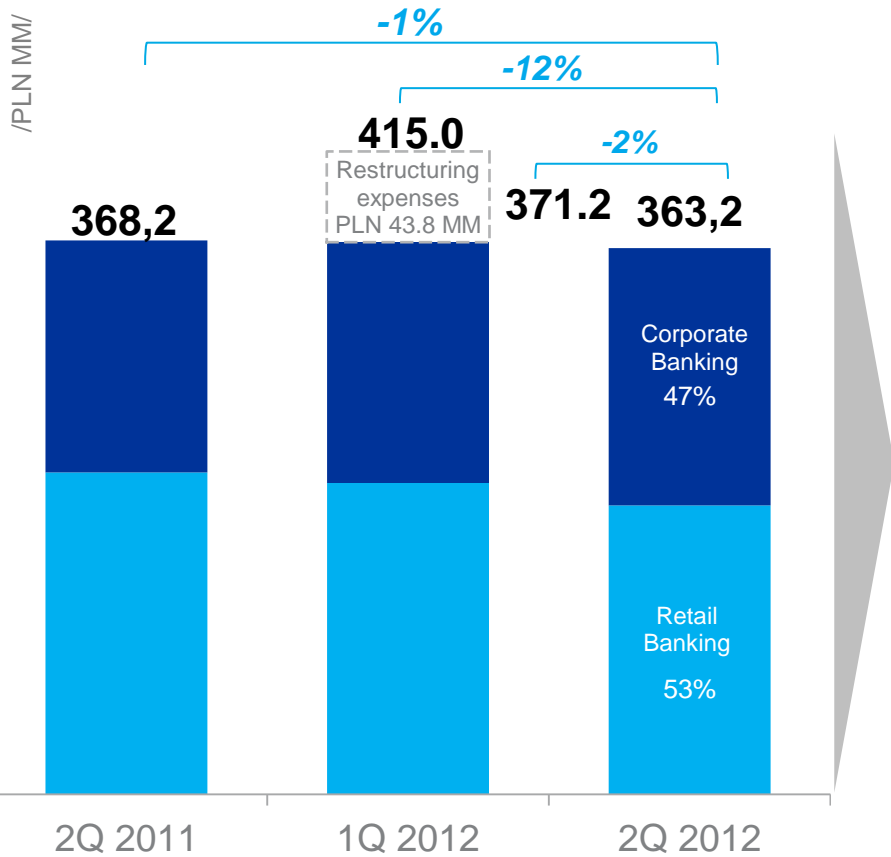


Note: The scales on the graphs are not comparable

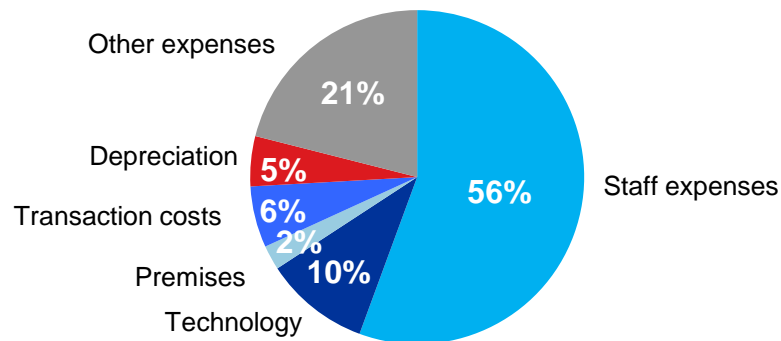
For the fourth year in a row the Bank placed **1st** in the **corporate FX trading category** in a ranking published by the prestigious **Euromoney** magazine



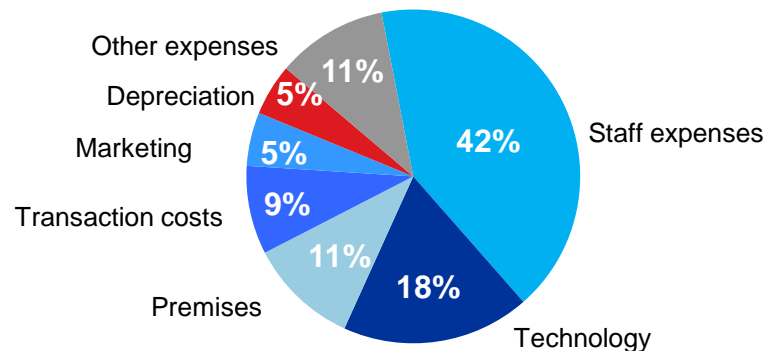
General administrative expenses and depreciation



Corporate Banking +1% QoQ and +11% YoY



Retail Banking -22% QoQ and -10% YoY



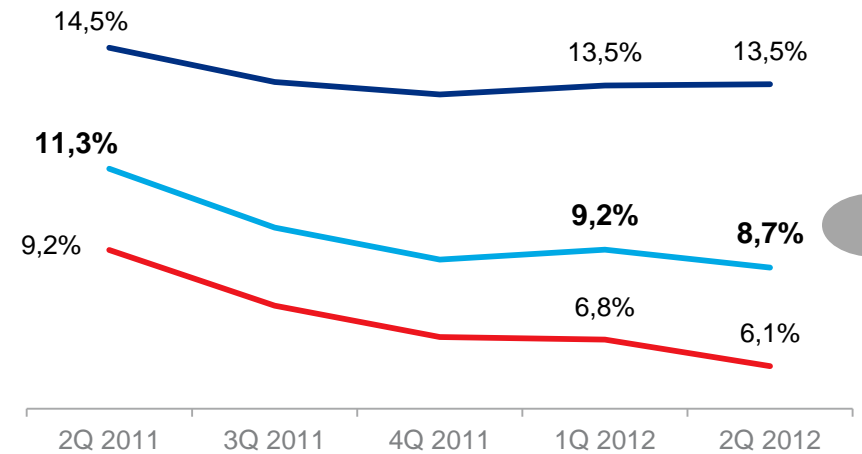
<u>Cost/Income</u>	2Q 2011	1Q 2012	2Q 2012	Change QoQ	Change YoY
Corporate Banking	52%	37%	45%	↑	↓
Retail Banking	76%	86%	67%	↓	↓
Bank	64%	56%	54%	↓	↓

Consistent credit risk policy

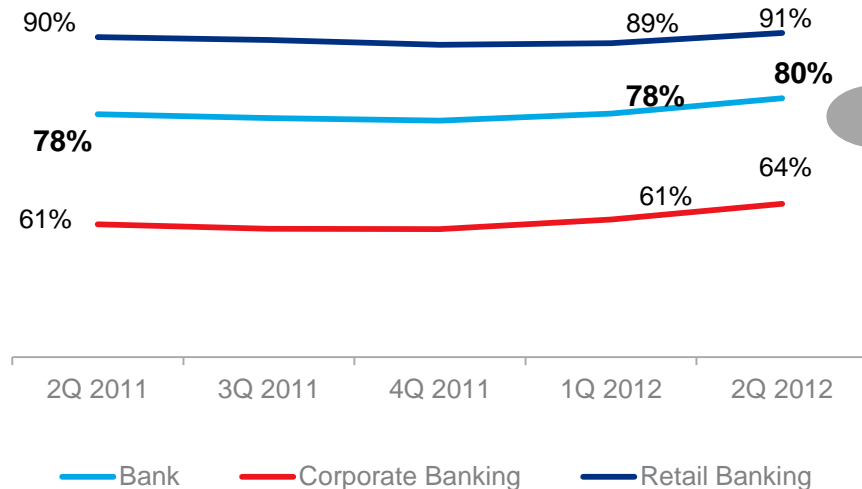
Net impairment losses (PLN MM)



Non-performing loans ratio (NPL)



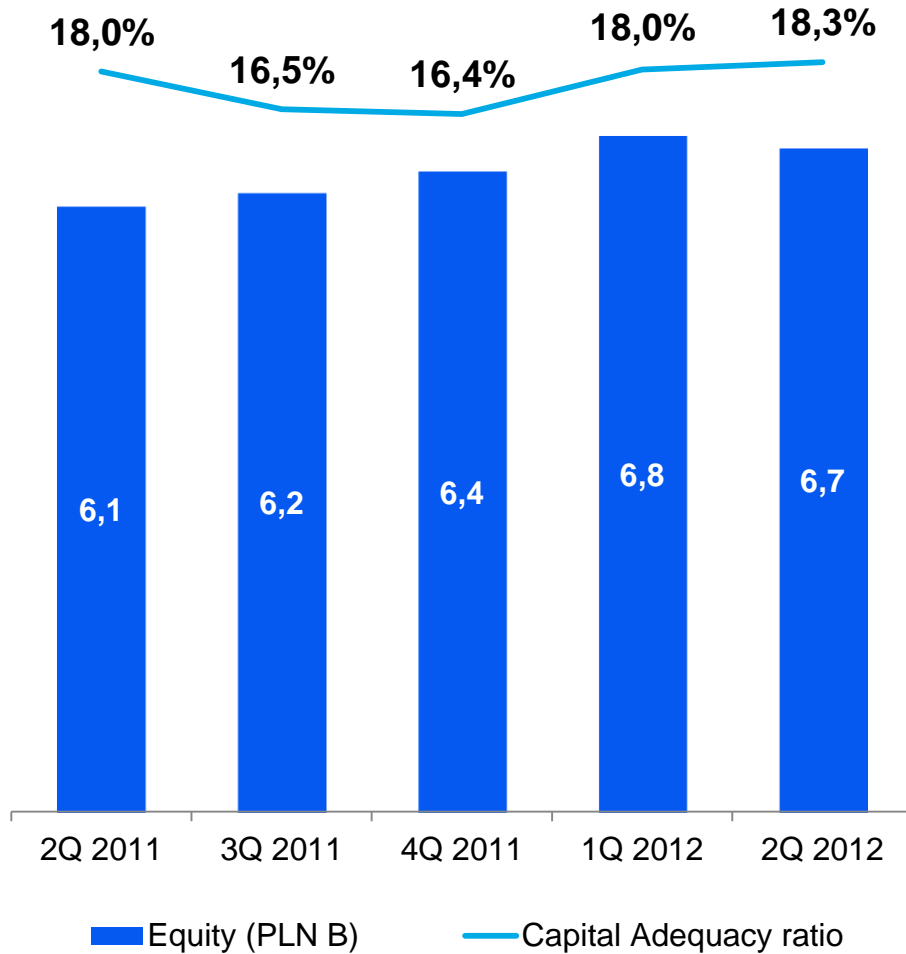
Provision coverage ratio



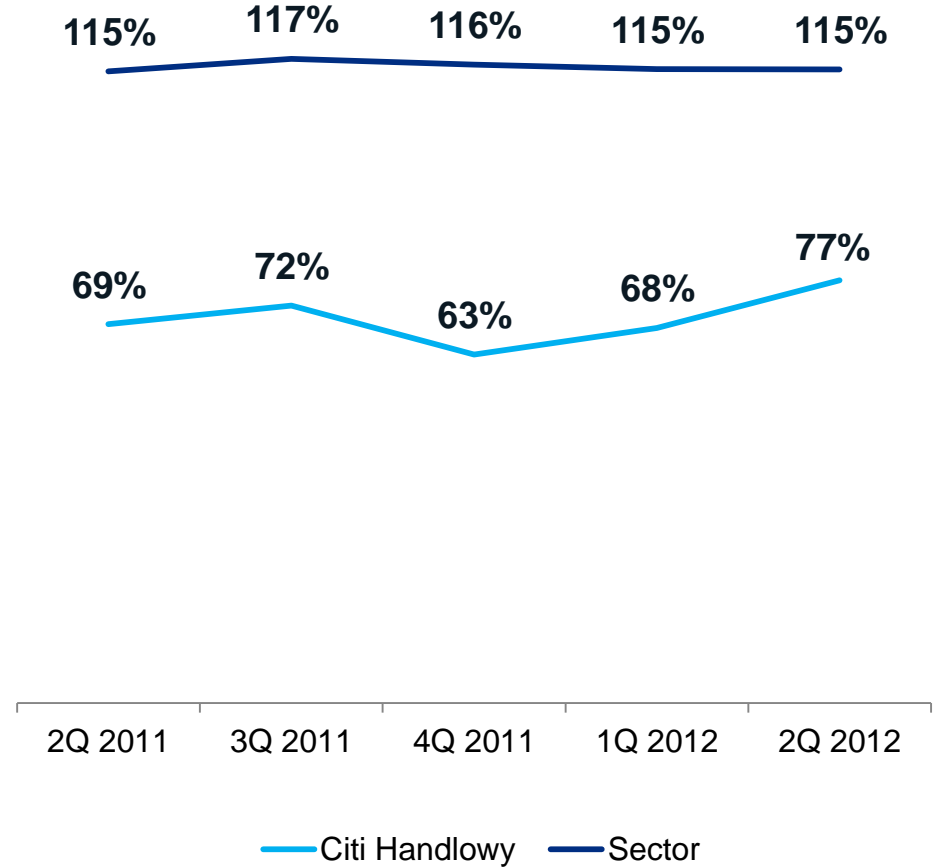
- 1 NPL ratio went down to **8.7%** due to improved quality of corporate loans portfolio
- 2 Provision coverage ratio at a high level of **80%**
- 3 Cost of risk maintained at a low level – **0.6%** in 2Q 2012 vs. **0.4%** in 1Q 2012 and **0.5%** in 2Q 2011

Liquidity and capital adequacy – stable and safe position

Capital adequacy ratio vs. equity level



Loans to deposits ratio: Bank vs. banking sector



Source: Data for sector based on the Polish Central Bank data.

Retail banking operational data

(in thousands)	2Q 2011	1Q 2012	2Q 2012	Change YoY	% change YoY
Current accounts including:	628	663	667	39	6.2%
Operating accounts	169	183	184	14	8.6%
Saving accounts	218	222	221	3	1.3%
Credit cards, including:	871	834	820	(52)	(5.9%)
Co-brand cards	484	477	471	(12)	(2.6%)
Debit cards including:	469	479	462	(6)	(1.4%)
PayPass cards	270	351	378	108	40.1%

Retail banking volumes

(PLN million)	1Q 2012	2Q 2012	Change QoQ	% change QoQ
Deposits	6,081	6,113	32	0.5%
Demand deposits	2,296	2,392	96	4.2%
Other deposits, including:	3,785	3,721	(64)	(1.7%)
<i>Saving accounts</i>	2,535	2,507	(28)	(1.1%)
Loans	5,090	5,176	86	1.7%
Credit cards	2,168	2,170	2	0.1%
Cash loans	2,177	2,165	(12)	(0.5%)
Mortgage loans	664	759	95	14.4%

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