

BANK HANDLOWY W WARSZAWIE S.A.
1Q 2014 consolidated financial results

May 9, 2014

Summary of 1Q 2014 in Citi Handlowy

Net profit \Rightarrow **248 PLN MM**

Volumes

- The sharp increase in lending to corporate customers
- Unsecured loans sale growth
- Consistent growth in demand deposits (+15% YoY)

Net receivables (excl. reverse repo)

+6%
QoQ

+5%
YoY

Business

- Leader in the area of financial markets
- Development of Smart Banking Ecosystem
- Focus on Gold and Forward customers

Smart branches efficiency vs. traditional branch

x6
Warsaw

x7
Katowice

Efficiency

- Revenue – QoQ increase and YoY decrease due to Treasury results
- Cost discipline – first effects of restructuring
- Low cost of risk despite the acceleration in lending

Cost / Income

51%

Corporate Banking

Leader in strategic areas

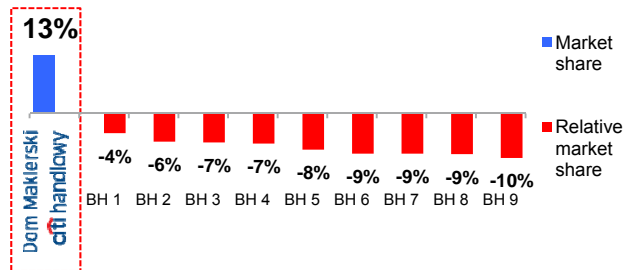
Financial Markets

- Leading position on the **foreign exchange market**



Brokerage

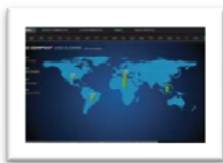
- #1** in the volume of trading in shares on the Warsaw Stock Exchange



- Leader in the area of **Custody** despite assets decrease as a result of the pension reform - market share at **43%** at the end of Q1 2014 (compared with 49% at the end of 2013 and 47% at the end of Q1 2013)

Transaction services

- Innovative solutions** for customers: application CitiDirect on iPad
- Cash management – strategic focus on **operating accounts**:



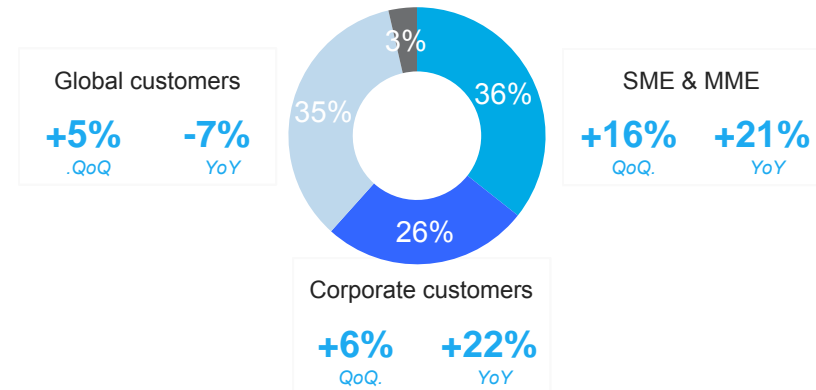
Demand deposits

+17% YoY

Active support for customers

Lending

- Growth in all customer segments



Globality – support for SME&MME customers expansion

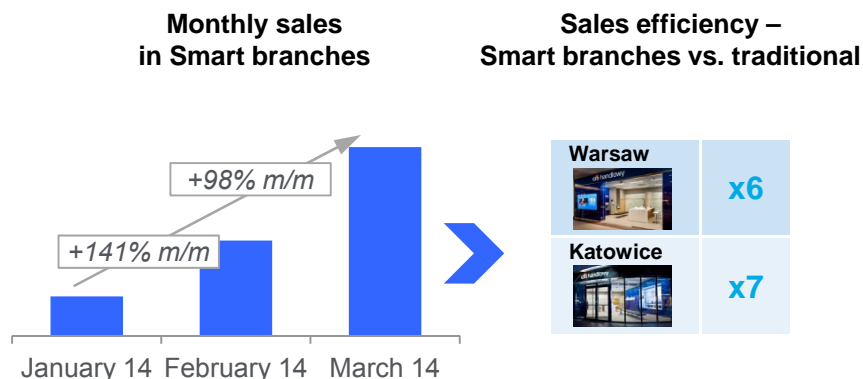


39% Polish SMEs interested in expansion outside Poland

Retail Banking

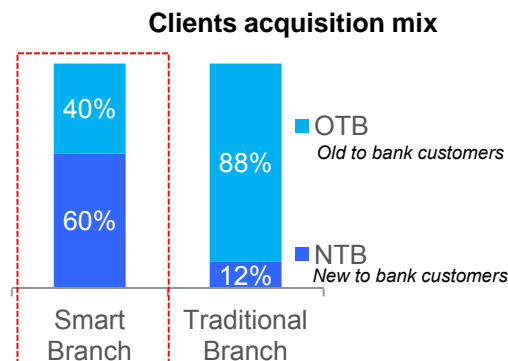
Smart Banking Ecosystem

High sales efficiency



- **2 new Smart branches** opened in Poznań and Wrocław in 2014
- **34%** of credit cards sales generated through Smart branches

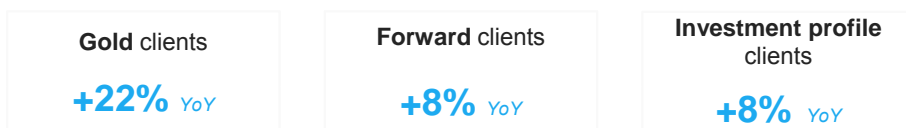
High clients acquisition quality and processes improvement



- The share of NTB clients in Smart branches **5x** higher than in traditional branches
- **75%** of multi-product sales in Smart branches
- **60%** higher initial credit limit in Smart branches vs. DSA channel (direct sales agencies)
- Account in Smart branch within **15 minutes**; online process within **48 h**

Relationship banking

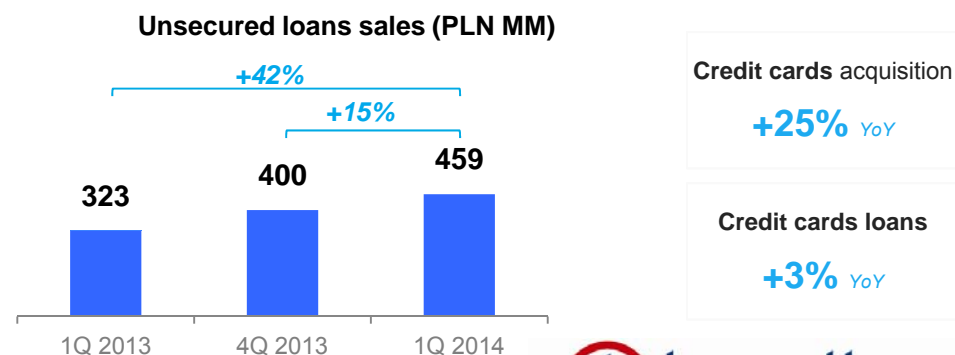
Focus on Gold and Forward clients



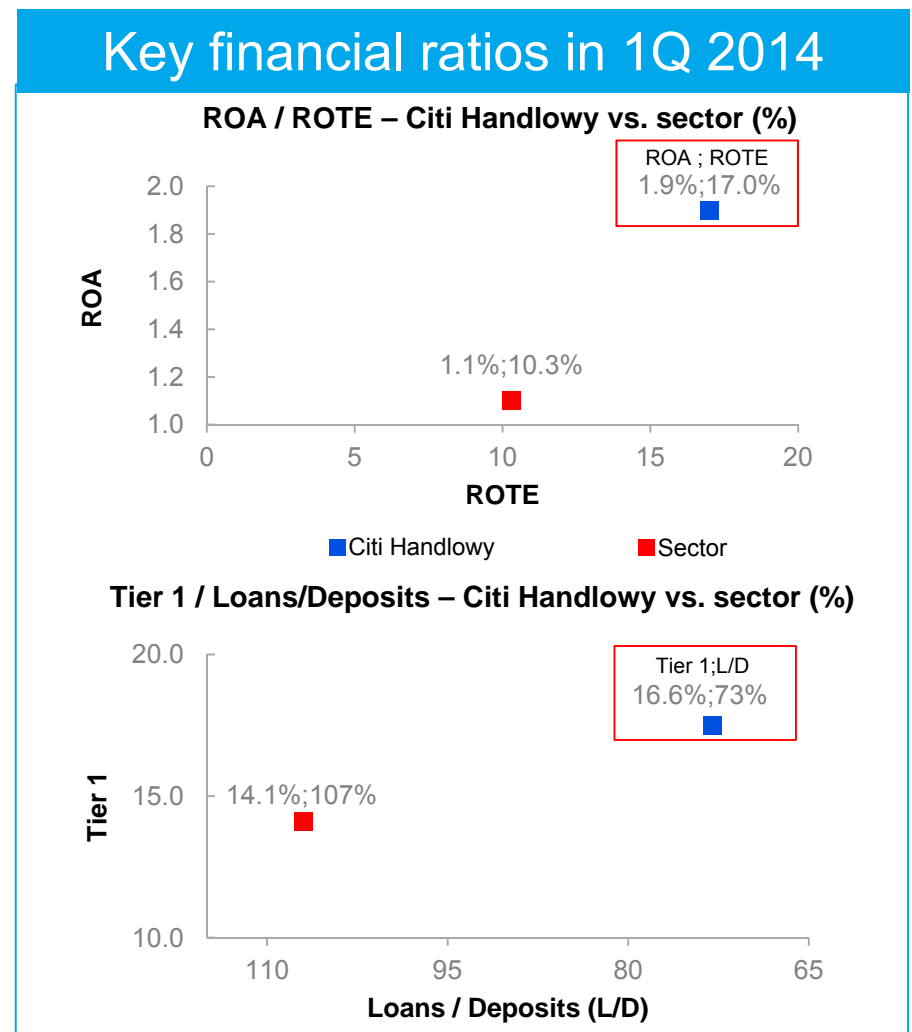
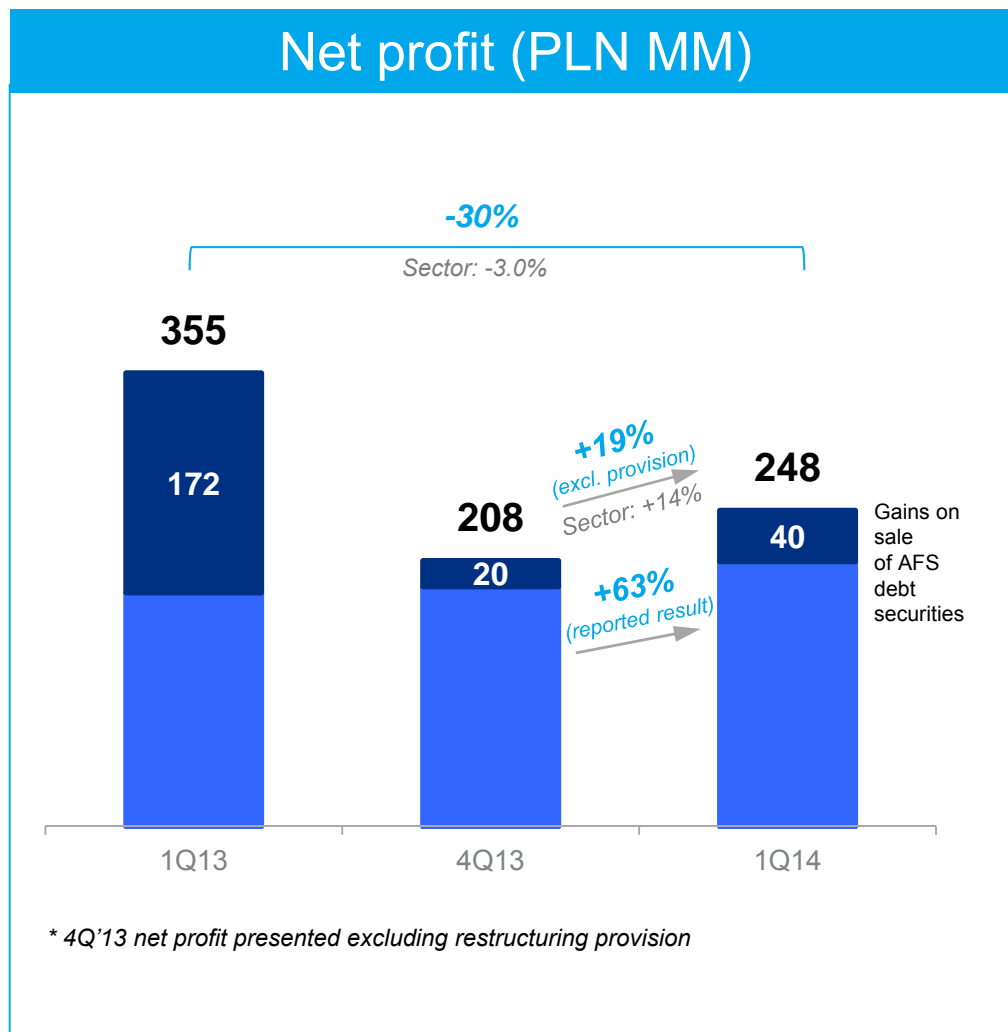
- Euromoney award for Best **Private banking**
- New functionalities of **investment advisory** for Gold and Gold Select clients (e.g.: additional options to choose recommendation currency, diversification level, investment strategy)
- **CitiGold service network expansion**: 70 new specialists, e.g. Investment Managers Team and FX Experts

Lending growth

Growth of unsecured lending products acquisition



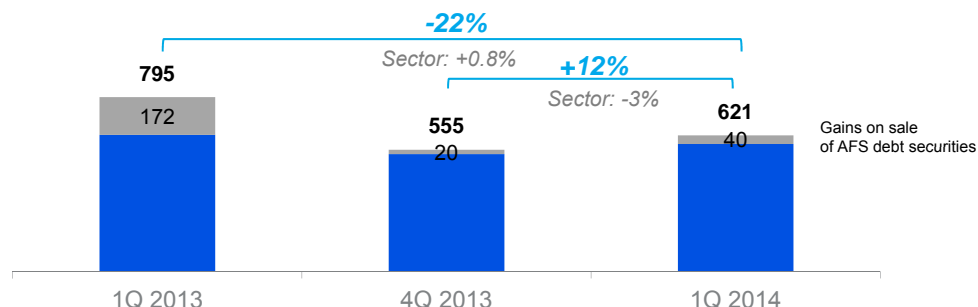
Another quarter of solid net profit



▶ High efficiency of the Bank – ratios better than the sector and strategic targets

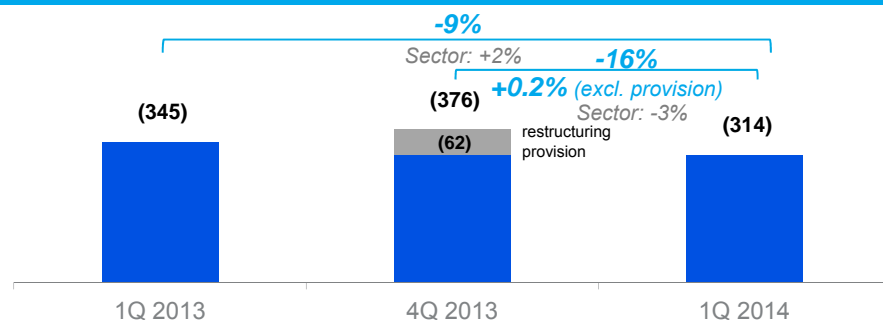
Revenue and discipline in expenses and risk

Revenues (PLN MM)



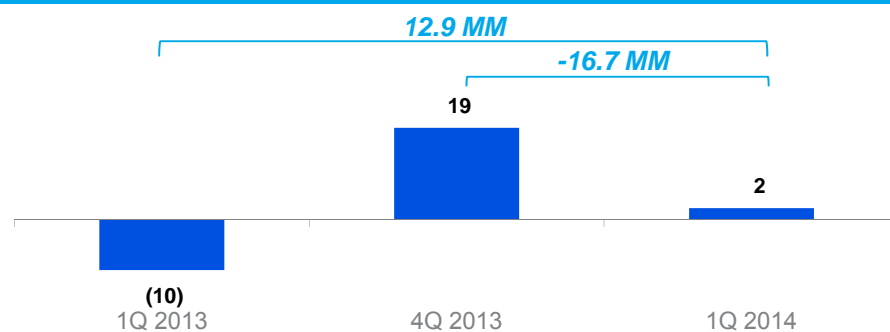
- The QoQ increase and YoY decrease in revenues mainly in the area of Treasury (due to change in gains on sale of AFS debt securities).
- Net interest income – result of interest rates reduction and decrease in bond yields

Expenses (PLN MM)



- The YoY decrease in expenses primarily as a result of the branch network optimization, efficiency improvement and employment restructuring
- The QoQ decrease in expenses due to restructuring provision included in 4Q 2013 expenses

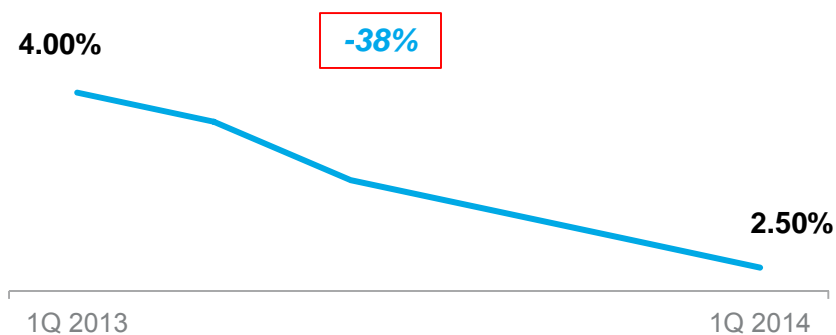
Net impairment losses (PLN MM)



- A positive trend in Consumer Banking continued – stabilization and improvement of credit cards' and cash loans' portfolio quality
- The decrease in net impairment losses in institutional customers segment as a result of stabilization in individually managed impaired portfolio in MME and SME

Net interest income reflecting interest rates decrease

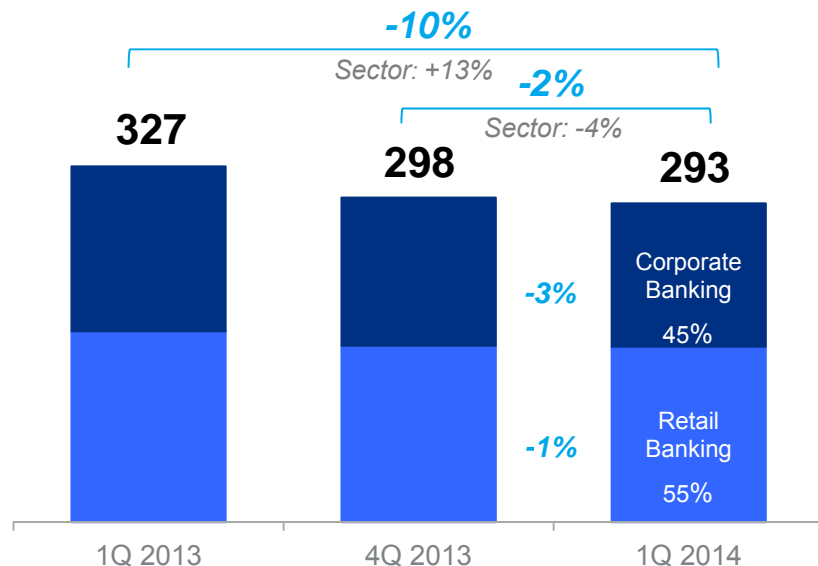
Central Bank reference rate



Net interest margin (NIM) - Bank vs. sector



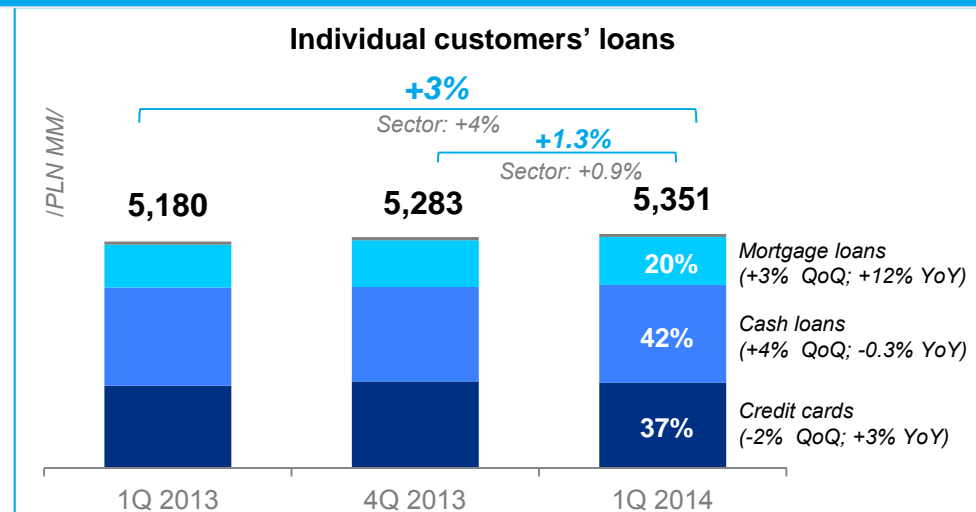
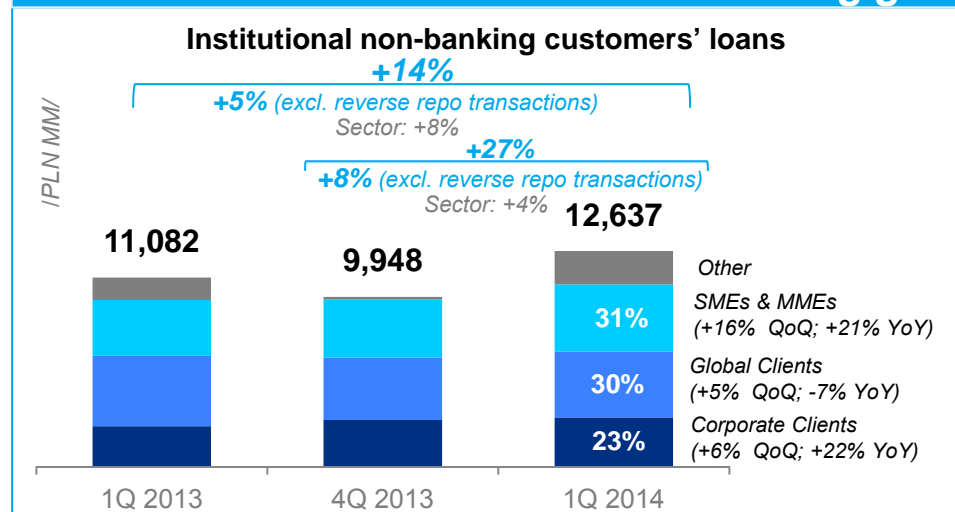
Net interest income (PLN MM)



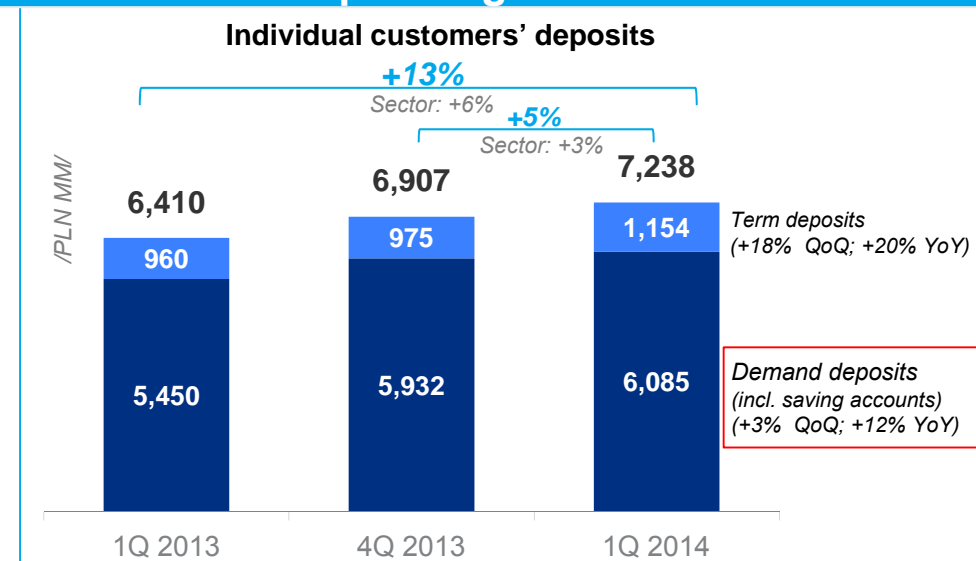
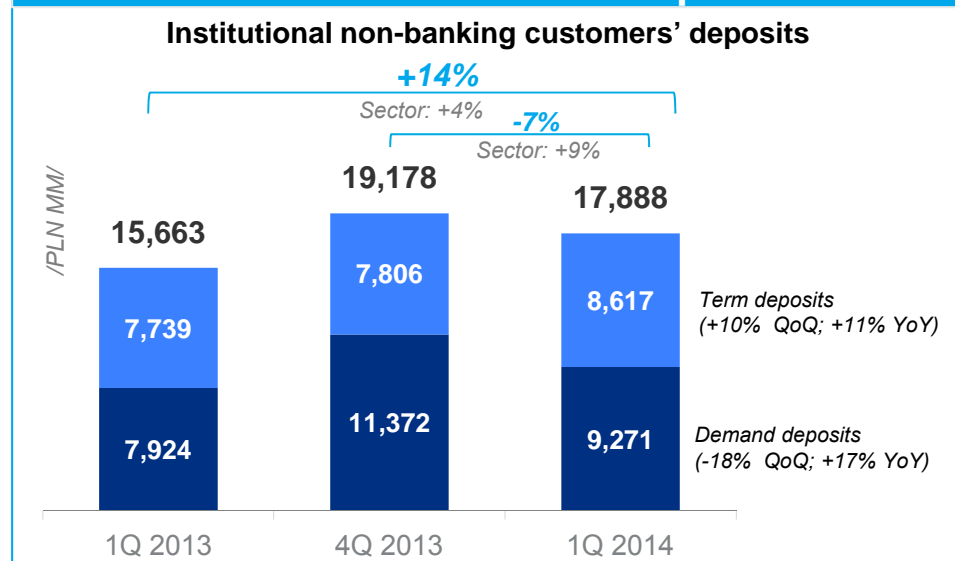
- Slowdown in negative dynamics of net interest income in 4Q 2013 (-11% YoY and -2% QoQ)
- The YoY decrease of Bank's net interest income significantly lower than interest rates reduction
- Net interest margin still above the market despite the decline to **3.0%**

Customer volumes

Lending growth acceleration

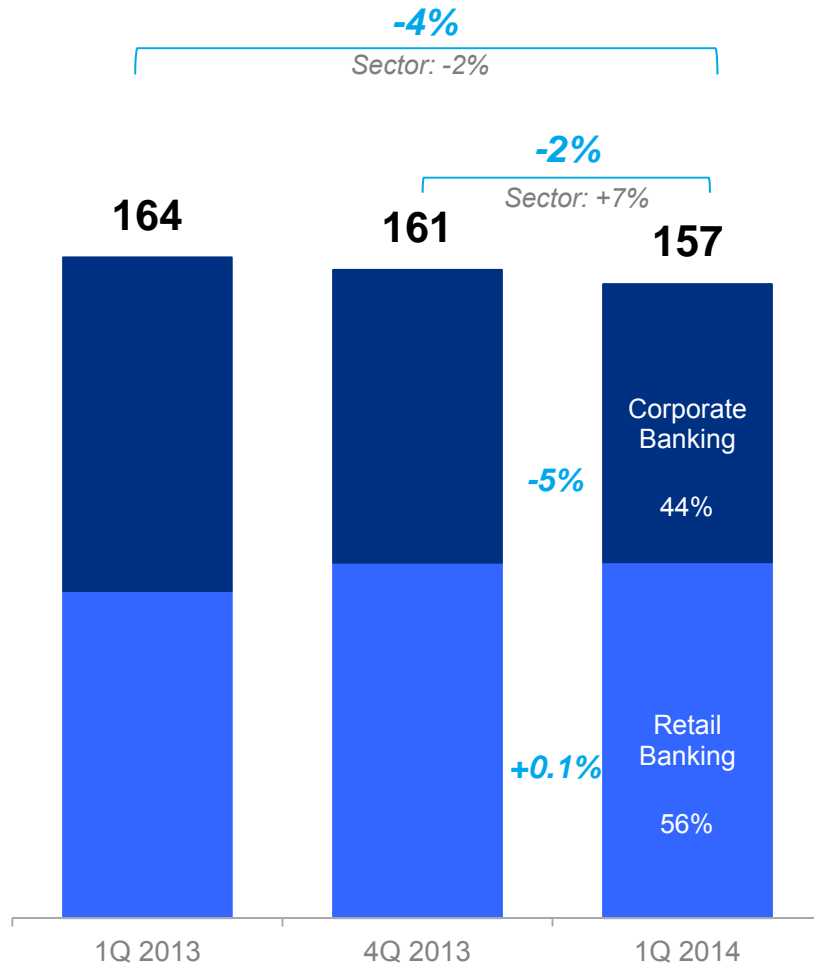


Growth in retail deposits as a result of focus on operating accounts

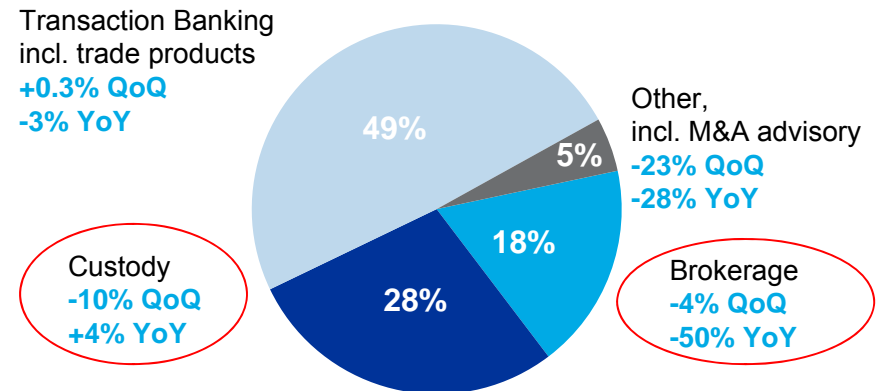


Net fee & commission income

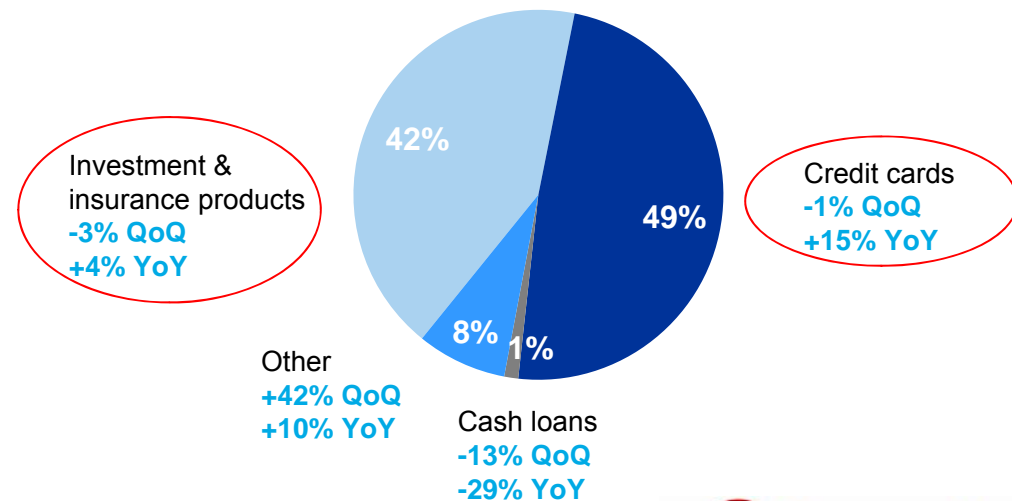
Net fee & commission income (PLN MM)



Corporate Banking -5% QoQ and -17% YoY

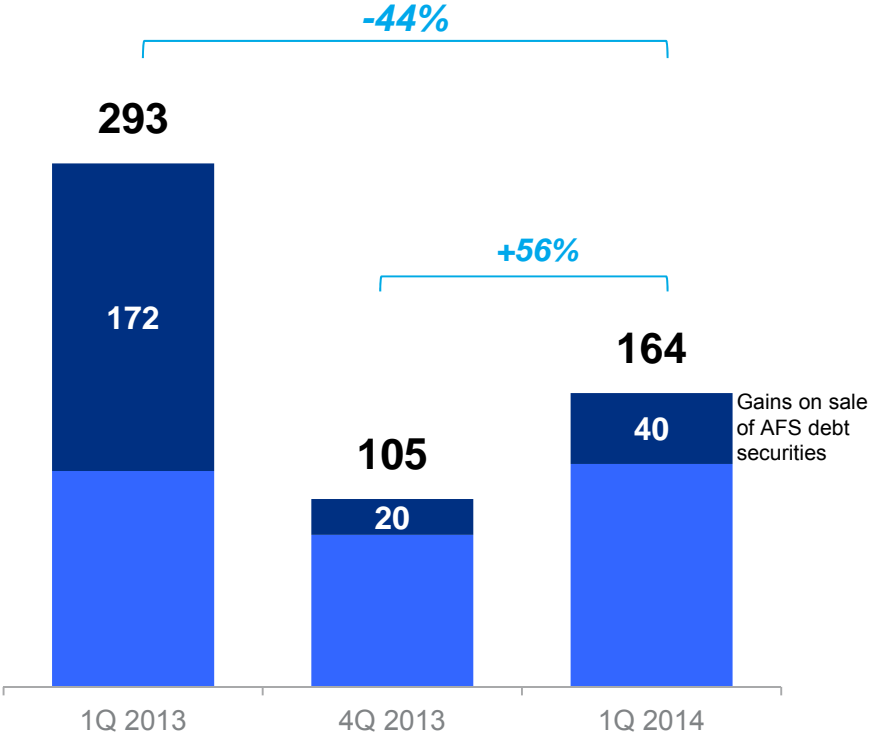


Retail Banking +0.1% QoQ and +9% YoY

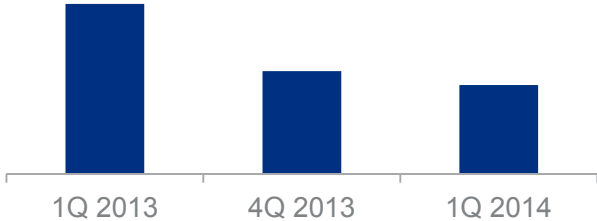


Treasury

Treasury result (PLN MM)



Result on customer operations



Result on the interbank market operations



Note: The scales on the graphs are not comparable.

#1 on the market

CitiFXPULSE

is the most common electronic FX platform on the market

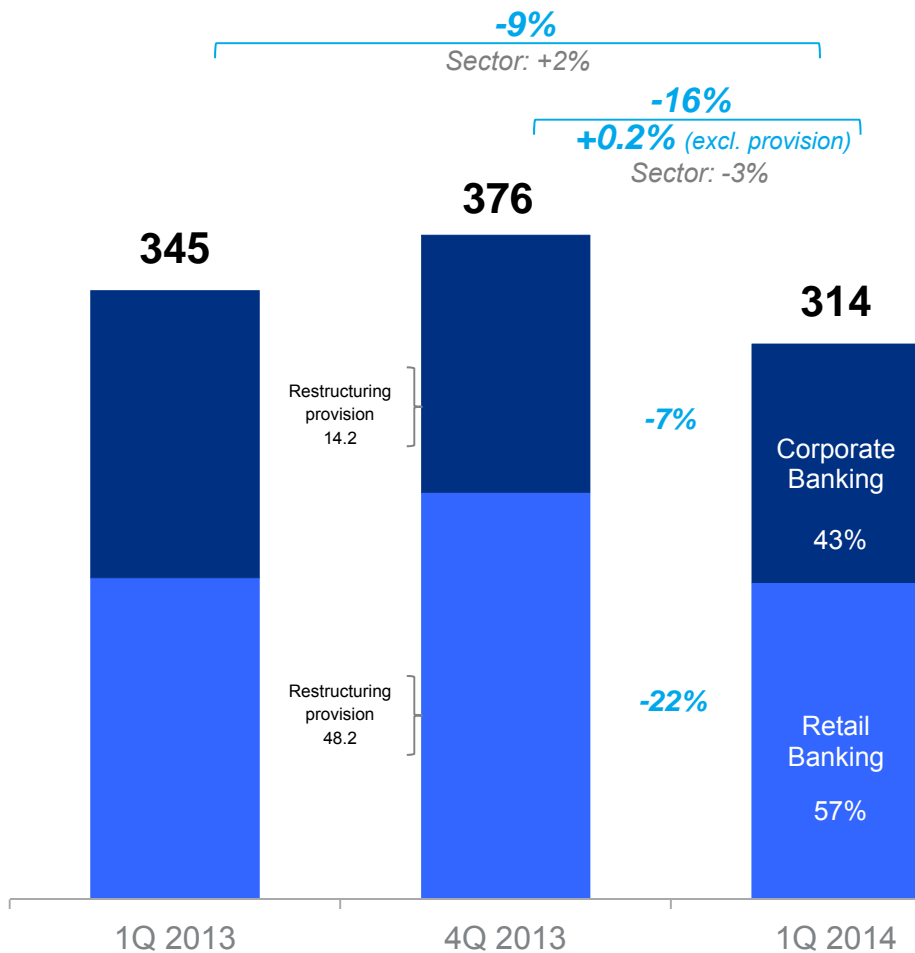
in the contest of Ministry of Finance



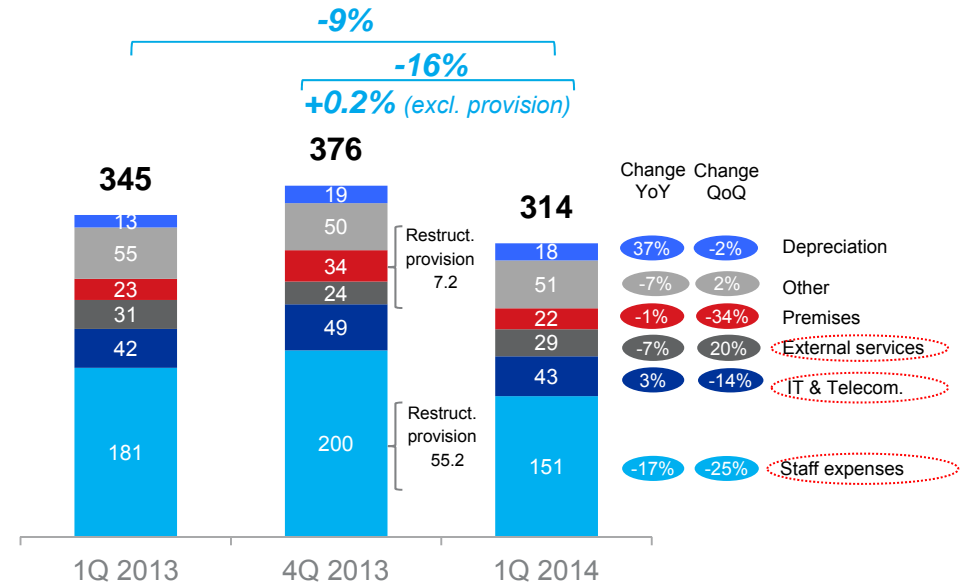
to act as Treasury Securities Dealer

Consistent cost control

Expenses and depreciation (PLN MM)

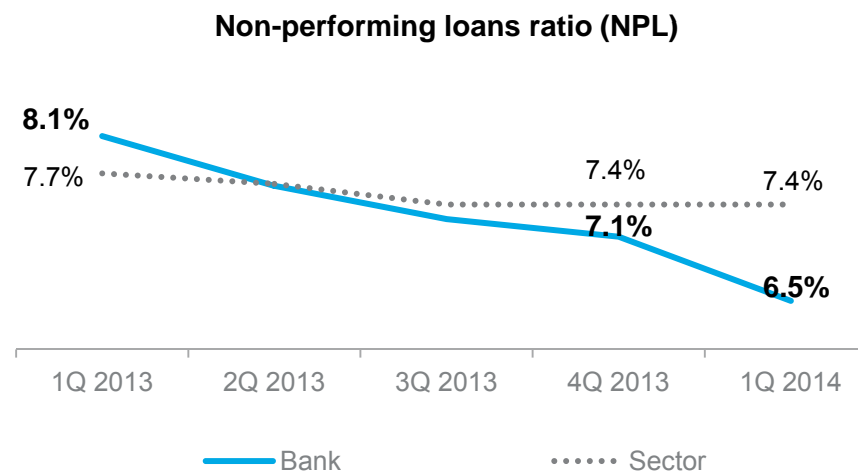
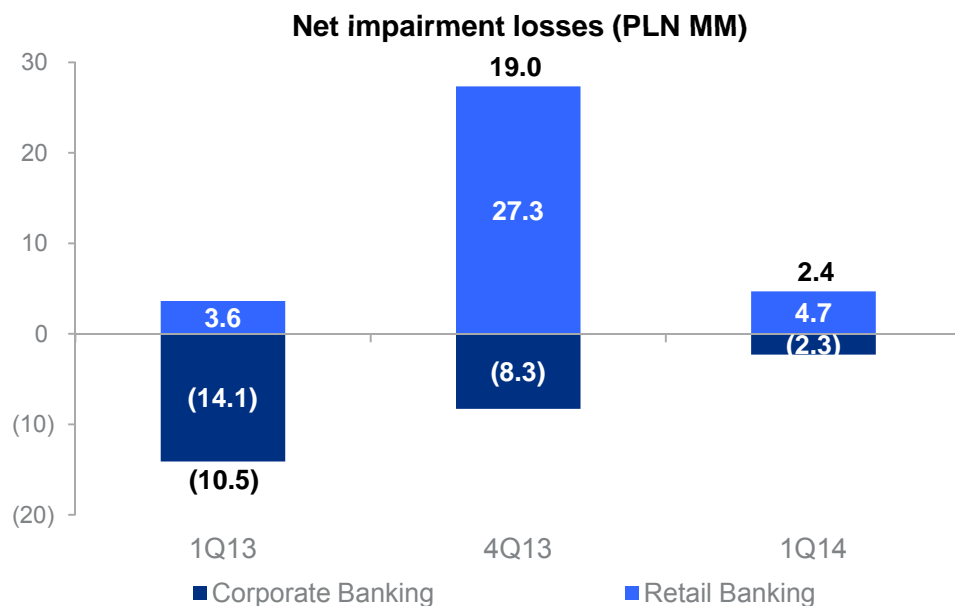


Expenses and depreciation (PLN MM) by type



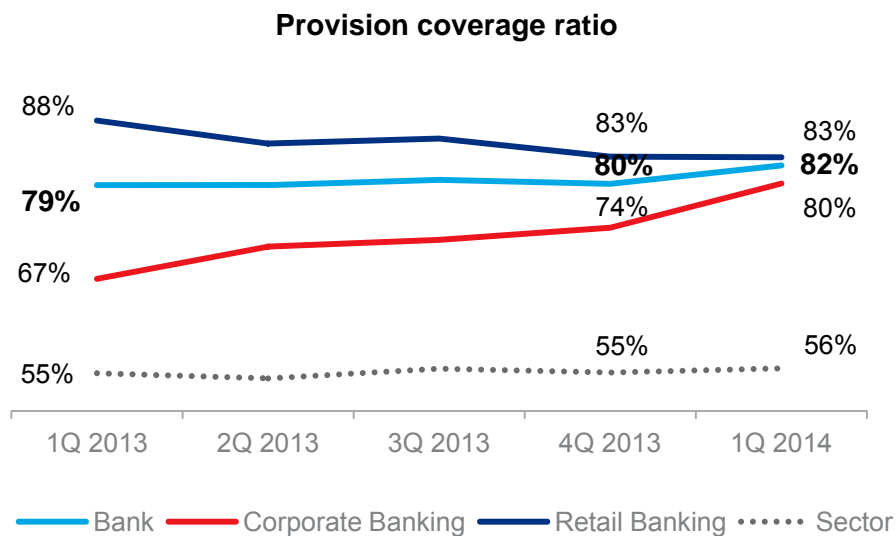
- The YoY decrease in Bank's expenses mainly due to:
 - the branch network optimization and employment restructuring
 - lower advertising and marketing expenses
 - lower external services spending
- The QoQ decrease in expenses due to restructuring provision included in 4Q 2013 expenses
- Cost / Income ratio at 51% in 1Q 2014

Further improvement in credit risk

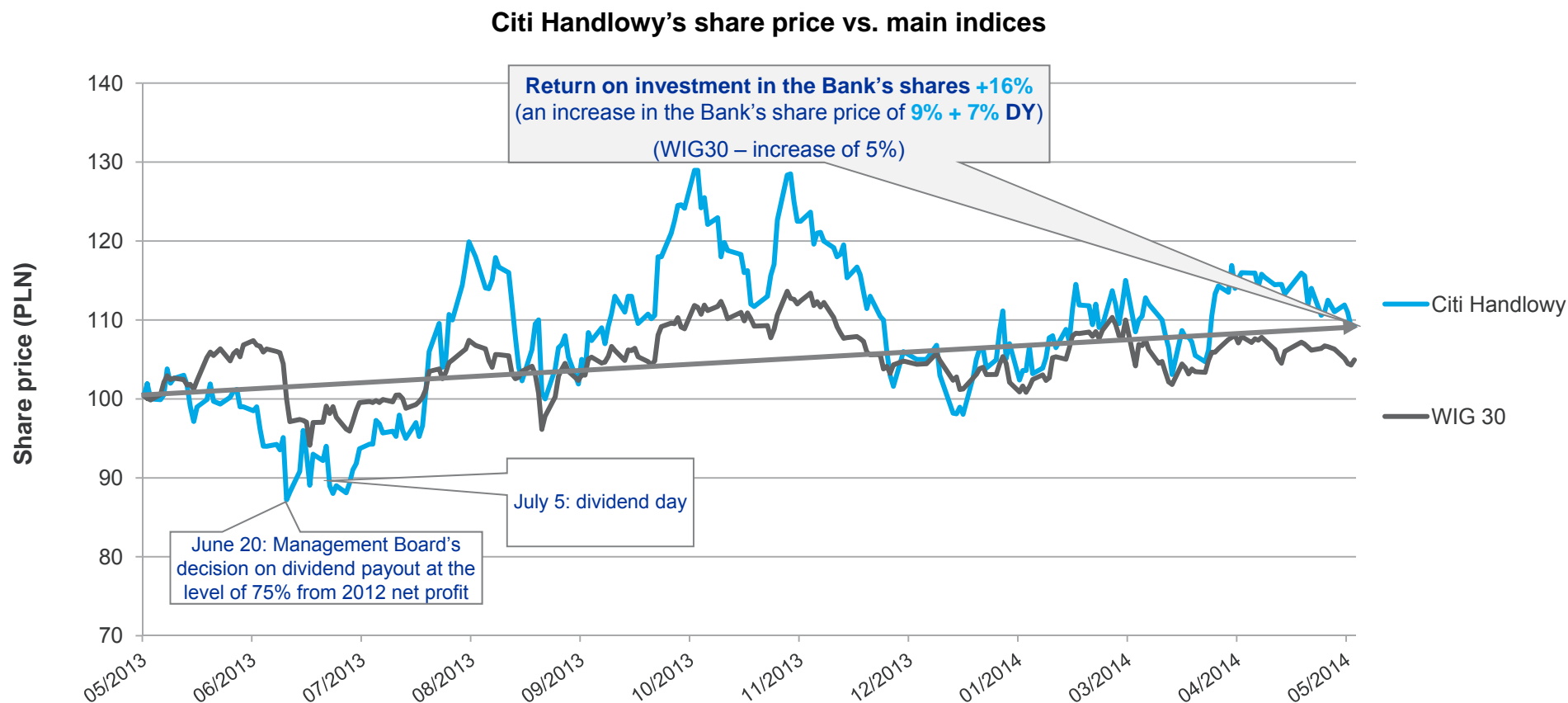


* NPL ratio for the Bank presented excluding reverse repo receivables

- A positive trend in Consumer Banking continued – stabilization and improvement of **credit cards'** and **cash loans'** portfolio quality
- **The decrease in net impairment losses in corporate banking** as a result of stabilization in individually managed impaired portfolio quality in **MME and SME segment**
- Both **NPL ratio** and **provision coverage ratio better than sector**



Change in Bank's share price in the latest 12 months horizon



Note: The latest listing as of May 8, 2014 (Citi Handlowy: PLN 109,20 zł)

Dividends paid by Citi Handlowy since it's debut on the WSE

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013**
Dividend payout ratio	23%	31%	39%	64%	100%	100%	100%	100%*	80%	86%	77%	0%	94%	100%	50%	75%	100%
Dividend yield	3.1%	1.9%	3.8%	1.7%	2.3%	2.6%	3.1%	18.7%	5.6%	5.8%	4.5%	-	7.1%	7.1%	3.3%	7.1%	7.0%

* Payout ratio related only to 2004 net profit, excluding special dividend

** Management Board's and Supervisory Board's recommendation

Appendix

Income statement – Bank

PLN MM	1Q13	2Q13	3Q13	4Q13	1Q14	1Q14 vs. 4Q13		1Q14 vs. 1Q13	
						PLN MM	%	PLN MM	%
Net interest income	327	311	306	298	293	(5)	(2%)	(34)	(10%)
Interest income	442	412	402	390	379	(10)	(3%)	(62)	(14%)
Interest expenses	(115)	(102)	(96)	(91)	(86)	5	(6%)	28	(25%)
Net fee and commission income	164	165	153	161	157	(4)	(2%)	(7)	(4%)
Dividend income	-	4	0	0	-	(0)	(100%)	-	-
Gains on AFS debt securities	172	81	32	20	40	20	98%	(132)	(77%)
FX and professional market	121	117	28	83	125	42	51%	5	4%
Hedge accounting	-	-	-	2	(1)	(3)	-	(1)	-
Treasury	293	198	60	105	164	59	56%	(128)	(44%)
Net gain on capital investment instruments	2	-	-	-	3	3	-	1	55%
Net other operating income	9	0	(1)	(9)	3	12	-	(6)	(65%)
Revenue	795	679	519	555	621	66	12%	(174)	(22%)
Expenses	(331)	(318)	(296)	(357)	(296)	61	(17%)	35	(11%)
Depreciation	(13)	(13)	(17)	(19)	(18)	0	(2%)	(5)	37%
Expenses and depreciation	(345)	(331)	(313)	(376)	(314)	62	(16%)	30	(9%)
Operating margin	450	348	206	179	306	127	71%	(144)	(32%)
Profit/(loss) on sale of tangible fixed assets	0	0	1	0	0	(0)	(49%)	0	125%
Net impairment losses	(10)	29	(2)	19	2	(17)	(88%)	13	-
Share in profits / (losses) of entities valued at the equity method	(0)	(1)	0	0	(0)	(0)	-	0	(93%)
EBIT	440	376	205	198	309	111	56%	(131)	(30%)
Corporate income tax	(84)	(75)	(40)	(46)	(61)	(15)	32%	23	(28%)
Net profit	355	300	165	152	248	96	63%	(108)	(30%)
C/I ratio	43%	49%	60%	68%	51%				

Corporate Banking – income statement

PLN MM	1Q13	2Q13	3Q13	4Q13	1Q14	1Q14 vs. 4Q13		1Q14 vs. 1Q13	
						PLN MM	%	PLN MM	%
Net interest income	152	147	147	136	132	(4)	(3%)	(20)	(13%)
Interest income	238	220	221	208	199	(9)	(4%)	(39)	(16%)
Interest expenses	(86)	(74)	(74)	(72)	(67)	4	(6%)	19	(22%)
Net fee and commission income	83	75	66	73	69	(4)	(5%)	(14)	(17%)
Dividend income	-	1	0	0	-	(0)	(100%)	-	-
Gains on AFS debt securities	172	81	32	20	40	20	98%	(132)	(77%)
FX and professional market	113	108	19	75	118	43	57%	5	4%
Hedge accounting	-	-	-	2	(1)	(3)	-	(1)	-
Treasury	285	190	51	97	157	60	62%	(128)	(45%)
Net gain on capital investment instruments	2	-	-	-	3	3	-	1	55%
Net other operating income	15	5	5	2	11	8	348%	(4)	(27%)
Revenue	536	418	269	308	371	63	20%	(165)	(31%)
Expenses	(156)	(135)	(129)	(139)	(129)	10	(8%)	27	(17%)
Depreciation	(7)	(6)	(6)	(6)	(6)	0	(2%)	0	(7%)
Expenses and depreciation	(163)	(142)	(135)	(146)	(135)	11	(7%)	28	(17%)
Operating margin	373	276	134	162	236	74	45%	(137)	(37%)
Profit/(loss) on sale of tangible fixed assets	-	0	1	0	0	(0)	(34%)	0	-
Net impairment losses	(14)	(7)	3	(8)	(2)	6	(72%)	12	(84%)
Share in profits / (losses) of entities valued at the equity method	(0)	(1)	0	0	(0)	(0)	-	0	(93%)
EBIT	359	269	137	154	234	79	52%	(125)	(35%)
C/I ratio	30%	34%	50%	47%	36%				

Retail Banking – income statement

PLN MM	1Q13	2Q13	3Q13	4Q13	1Q14	1Q14 vs. 4Q13		1Q14 vs. 1Q13	
						PLN MM	%	PLN MM	%
Net interest income	175	164	159	162	161	(1)	(1%)	(14)	(8%)
Interest income	204	192	182	182	180	(1)	(1%)	(24)	(12%)
Interest expenses	(28)	(28)	(22)	(19)	(19)	1	(3%)	9	(33%)
Net fee and commission income	81	90	87	88	88	0	0%	7	9%
Dividend income	-	3	-	-	-	-	-	-	-
FX and professional market	8	9	9	8	8	(1)	(7%)	(0)	(4%)
Net other operating income	(5)	(5)	(6)	(12)	(8)	4	(35%)	(2)	40%
Revenue	259	261	249	247	250	3	1%	(9)	(4%)
Expenses	(175)	(183)	(167)	(218)	(167)	51	(23%)	8	(5%)
Depreciation	(7)	(7)	(11)	(12)	(12)	0	(2%)	(5)	81%
Expenses and depreciation	(182)	(189)	(178)	(230)	(179)	51	(22%)	3	(2%)
Operating margin	77	71	72	16	70	54	326%	(7)	(9%)
Net impairment losses	4	36	(5)	27	5	(23)	(83%)	1	29%
EBIT	81	107	67	44	75	31	71%	(6)	(7%)
C/I ratio	70%	73%	71%	93%	72%				

Balance sheet

PLN B	End of period					1Q14 vs. 4Q13		1Q14 vs. 1Q13	
	1Q13	2Q13	3Q13	4Q13	1Q14	PLN B	%	PLN B	%
Cash and balances with the Central Bank	1.0	0.8	2.4	0.8	2.0	1.2	156%	1.0	94%
Amounts due from banks	1.4	2.3	2.5	3.5	4.1	0.6	16%	2.7	185%
Financial assets held-for-trading	9.2	8.9	6.4	5.8	7.6	1.9	32%	(1.6)	(17%)
Debt securities available-for-sale	12.0	14.1	15.8	17.6	13.4	(4.2)	(24%)	1.4	12%
Customer loans	16.3	17.0	16.8	15.2	18.0	2.8	18%	1.7	11%
Financial sector entities	1.6	2.4	2.1	0.7	2.6	1.9	265%	1.0	62%
Non-financial sector entities	14.7	14.6	14.8	14.5	15.4	0.9	6%	0.7	5%
Corporate Banking	9.5	9.4	9.6	9.2	10.0	0.8	9%	0.6	6%
Retail Banking	5.2	5.2	5.2	5.3	5.4	0.1	1%	0.2	3%
Credit cards	2.0	2.1	2.1	2.2	2.3	0.1	4%	0.3	13%
Cash loans	2.1	2.1	2.0	1.9	1.9	(0.0)	(2%)	(0.2)	(10%)
Mortgage	1.0	1.0	1.0	1.1	1.1	0.0	3%	0.1	12%
Other assets	2.8	3.2	3.3	2.5	2.9	0.4	17%	0.1	2%
Total assets	42.7	46.3	47.2	45.4	48.0	2.6	6%	5.3	12%
Liabilities due to banks	5.7	7.1	7.6	6.4	6.9	0.5	8%	1.2	21%
Financial liabilities held-for-trading	5.3	4.8	5.4	4.2	5.2	1.0	24%	(0.1)	(2%)
Financial liabilities due to customers	22.8	25.0	25.4	26.6	26.6	0.0	0%	3.8	16%
Financial sector entities - deposits	3.0	4.2	3.9	3.3	4.1	0.8	24%	1.1	37%
Non-financial sector entities - deposits	19.1	20.0	20.5	22.8	21.1	(1.8)	(8%)	2.0	10%
Corporate Banking	12.7	13.3	13.7	15.9	13.8	(2.1)	(13%)	1.1	9%
Retail Banking	6.4	6.8	6.8	6.9	7.2	0.3	5%	0.8	13%
Other financial liabilities	0.7	0.7	0.9	0.5	1.4	1.0	198%	0.7	96%
Other liabilities	1.4	2.4	1.7	0.9	1.8	0.9	91%	0.4	30%
Total liabilities	35.2	39.3	40.1	38.1	40.5	2.4	6%	5.3	15%
Equity	7.6	7.0	7.1	7.3	7.5	0.2	3%	(0.0)	0%
Total liabilities & equity	42.7	46.3	47.2	45.4	48.0	2.6	6%	5.3	12%
Loans / Deposits ratio	77%	73%	72%	64%	73%				
Capital Adequacy Ratio	18.5%	17.5%	16.7%	17.5%	16.6%				
NPL (as reported, incl. reverse repo)	7.6%	6.9%	6.7%	7.0%	5.8%				