

Bank Handlowy w Warszawie S.A.

2014 Preliminary consolidated financial results

February 12th, 2015

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

Summary of 2014 in Citi Handlowy

Highlights:

- **Distributable profit increase to PLN 971 MM (+4% YoY)**
- **Dynamic growth in loan (+10% YoY) and deposit volume (+12% YoY)**
- **High efficiency of the Bank** – ROTE, ROE i ROA ratios above the sector
- **High quality of assets and equity confirmed in stress test results on the assumption that dividend payout ratio at 100% of 2014-2016 net income**
- The lack of problems with CHF mortgage loans

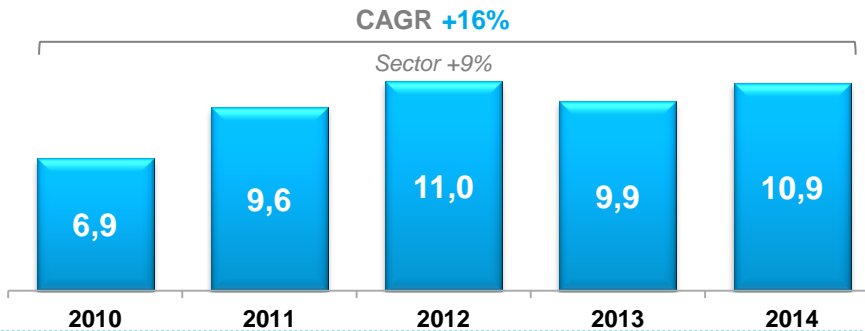
Challenges:

- **Historic low interest rates:** reference rate (-50 bps YoY) and lombard rate (-100 bps YoY)
- Regulatory changes regarding **interchange fee reduction**

Institutional Banking – leader in strategic areas

Lending activity

Institutional customers' loans
2010-2014 (PLN B):



Citi Handlowy supports strategic projects:

KGHM

Revolving credit
2 500 000 000 USD

citi handlowy

Acted as Global Coordinator and the Chief Arranger of the consortium of banks
July 2014

ORLEN

Revolving credit
2 000 000 000 EUR

Refinance credit lines and financing needs of corporate

citi handlowy

Creditor
April 2014

Transaction Banking

#1 Top Cash Manager in Poland in **Euromoney Cash Management Survey 2014**



Local transfers

Volume
+5% YoY

Market share
2%

Foreign transfers

Volume
+10% YoY

Market share
7%

Trade finance

Volume
+11% YoY

Market share
4%

Card products

Volume
+7% YoY

Revenue per card
+3% YoY

Financial Markets

Key transactions in the capital market

Bank BGZ
Dobrze skłony helikopter

A tender offer for shares

citi handlowy
PLN 4,1 B

#1 DMBH - turnover in the equity secondary market

Market share
13%
+0,6 p.p. YoY

Turnover volume
PLN 55 B

Implementing new transactional platform
CitiFX Pro



- Shares and ETF acquisition and disposal on biggest and foreign stock exchange and FX market instruments on OTC
- Investment account increase:
+7% YoY

#1 on the market

in the contest of Ministry of Finance



to be act as
Treasury Securities Dealer

Increase in popularity



Volume
+8% YoY

Dynamic development of Retail Banking in Citi Handlowy

Smart Banking development

First Smart Citigold HUB branch



13 #Smart Branches

2,5x

More clients visit Smart branch than traditional branch

7-10x

More products are bought in Smart branch by customers

8x

Time shorter to credit cards issue

Citigold & CitiPriority development

+10% YoY

Citigold clients



#1 private banking

+15% YoY

Investment AUM



#1 Super Affluent

+18 YoY

Investment products sales



#1 International clients

CitiPriority Complex offer for VIP clients

- Customized offer – investor, credit and company packages
- Benefits resulted from Global Banking

80%

Deposits clients choose CitiPriority

Volumes

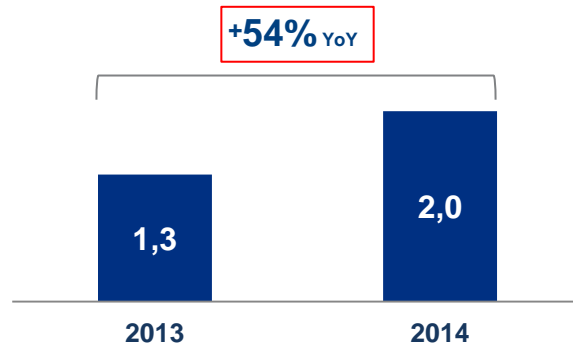
+15% YoY

Cash loans balance

+16% YoY.

Mortgage loans balance

Unsecured loans sales (PLN MM)



Globalny Citi Handlowy

The lowest foreign exchange rate

Since implementation date:

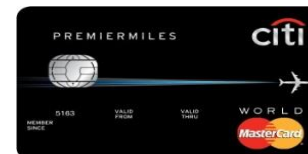
- 64% more transactions, 84% higher volumes
- 73% higher average daily transactions

Online transfers within Citi around world

- 33% more transfers from Citi Handlowy account to Citi accounts YoY
- 37% higher volume of transactions YoY

Foreign payments without FX conversion

- 32% more foreign transactions used by card assigned to banking account YoY
- 29% higher volume of transactions YoY

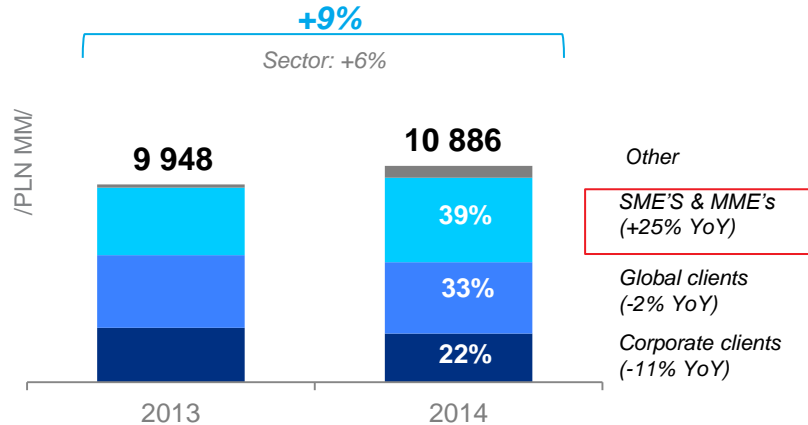


- miles never expire
- cashback for airlines ticket purchase

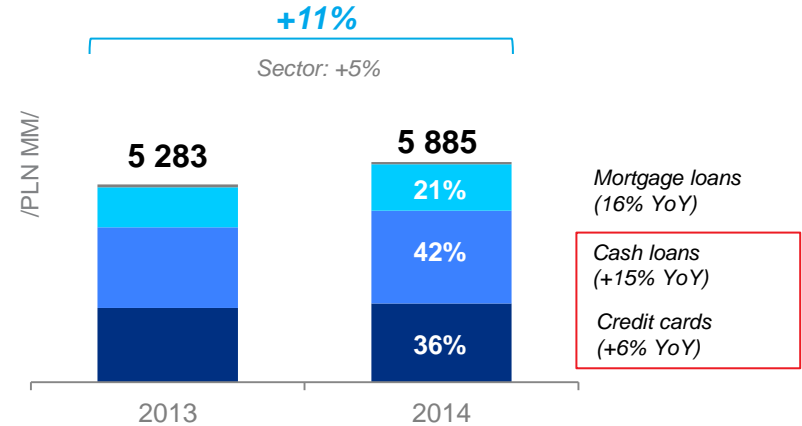
Customer volumes

Growth in loans

Institutional non-banking customers' loans

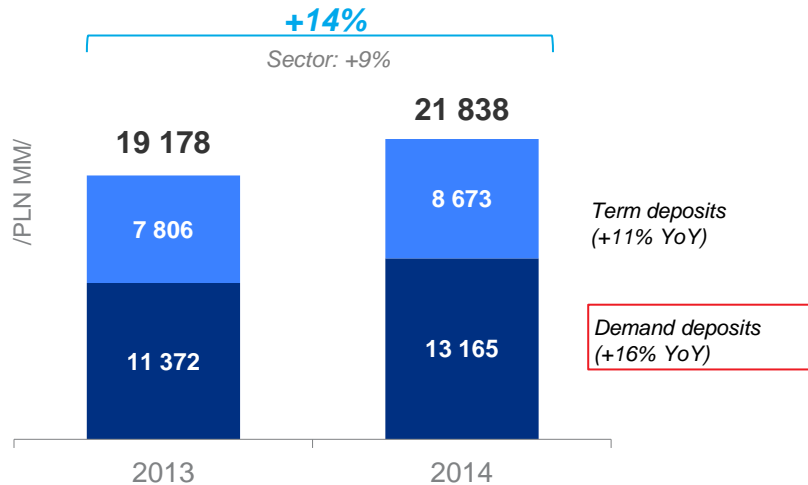


Individual customers' loans

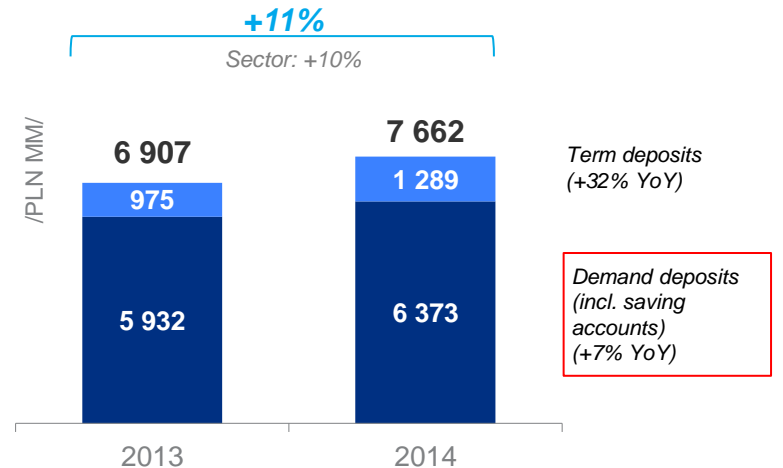


Growth in deposits of individual customers as a result of focus on operating accounts

Institutional non-banking customers' deposits



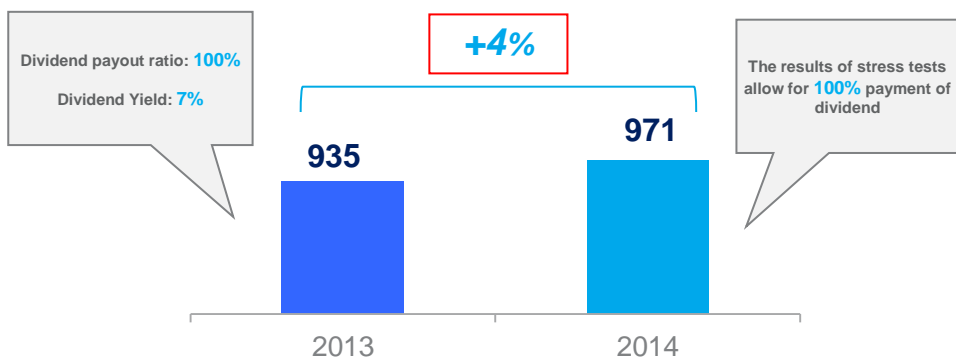
Individual customers' deposits



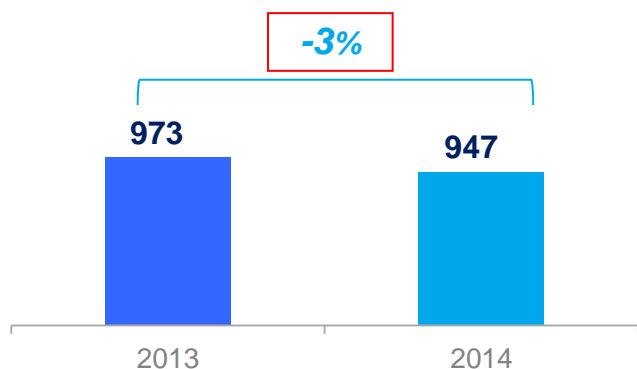
Distributable profit increase

Net profit (PLN MM)

Stand alone net profit – for distribution to shareholders



Consolidated net profit



Key financial ratios in 2014*

	Bank*	Sektor
ROA	2,0%	1,1%
ROTE	18,1%	10,3%
ROE	14,6%	10,1%
Cost/Income	53%	51%
Loans/Deposits	60%	105%
Tier 1**	17,5%	13,7%
NPL	4,9%	7,0%

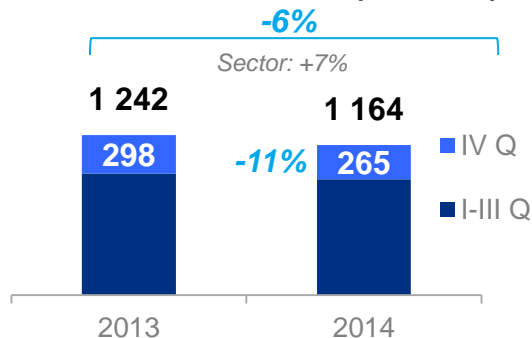
* Indicators calculated based on the consolidated results

** Tier1 for the sector based on 3Q'14 data

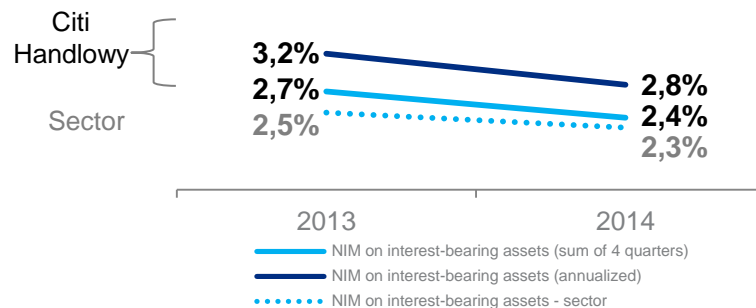
▶ High efficiency of the Bank – ratios better than the sector and strategic targets

Net interest income and net fee & commission income

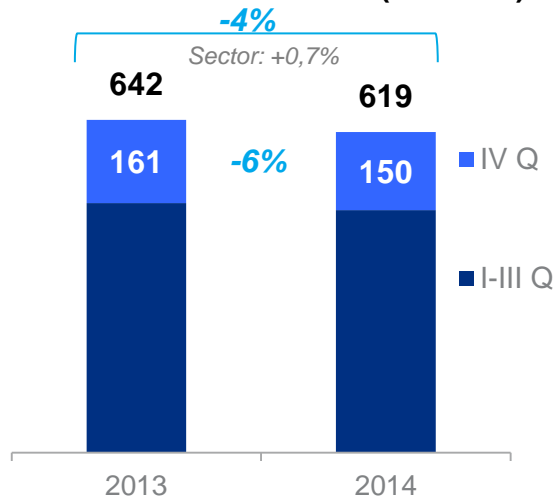
Net Interest Income (PLN MM)



Net Interest Margin (NIM) – Bank vs. sector



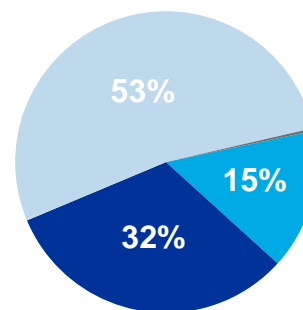
Net fee & commission (PLN MM)



- Interchange decrease resulted in a fee income decrease of PLN 30 MM
- Excluding interchange reduction, fee income would increase by 1% YoY

Corporate Banking

Transaction Banking incl. trade products
+6% YoY

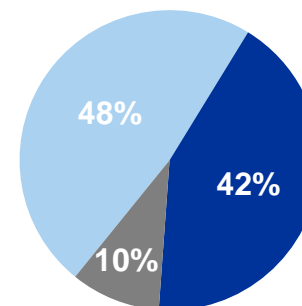


Custody
+9% YoY

- Market leader
- Increase in market share by 0,6 p.p.

Retail Banking

Investment & insurance products
+7% YoY

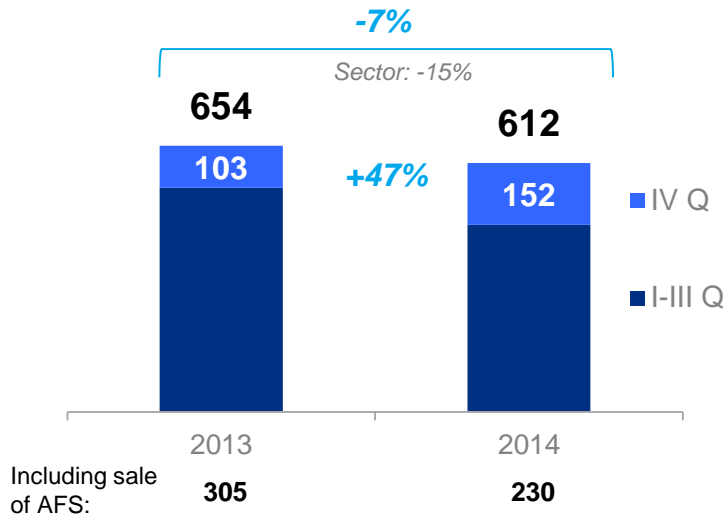


Cash loans and other
+17% YoY

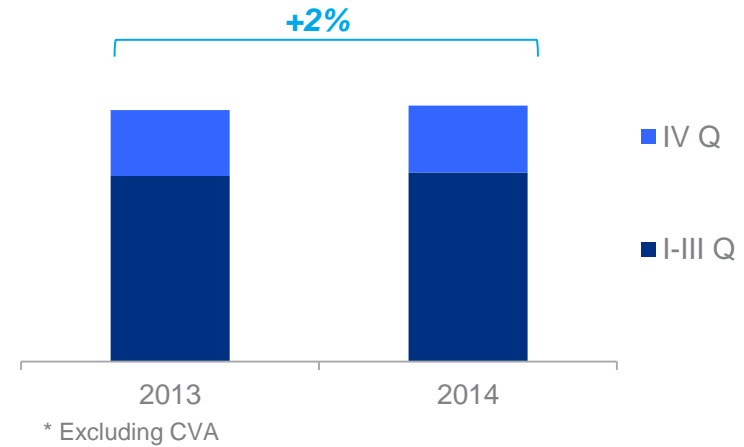
- Mainly due to lower interchange level

Treasury

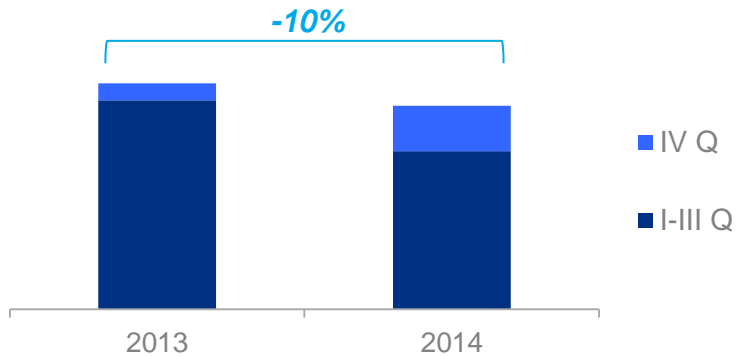
Treasury result (PLN MM)



Result on customer operations*



Result on the interbank market operations



Note: The scales on the graphs are not comparable

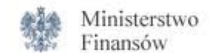
CitiFX PULSE

#1 on the market

Is the **most common electronic FX platform** on the market

– CitiFX Pulse platform usage **74%** of exchange transactions, volume growth by **+8% YoY**

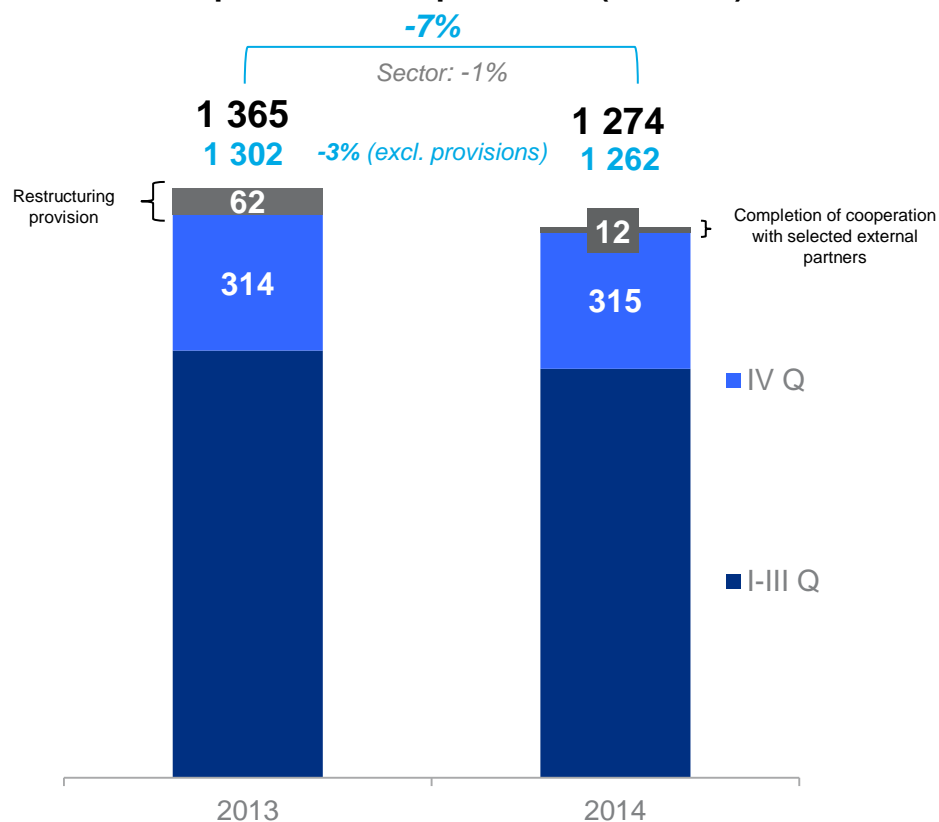
In the contest of Ministry of Finance



To act as **Treasury Securities Dealer**

Consistent cost control

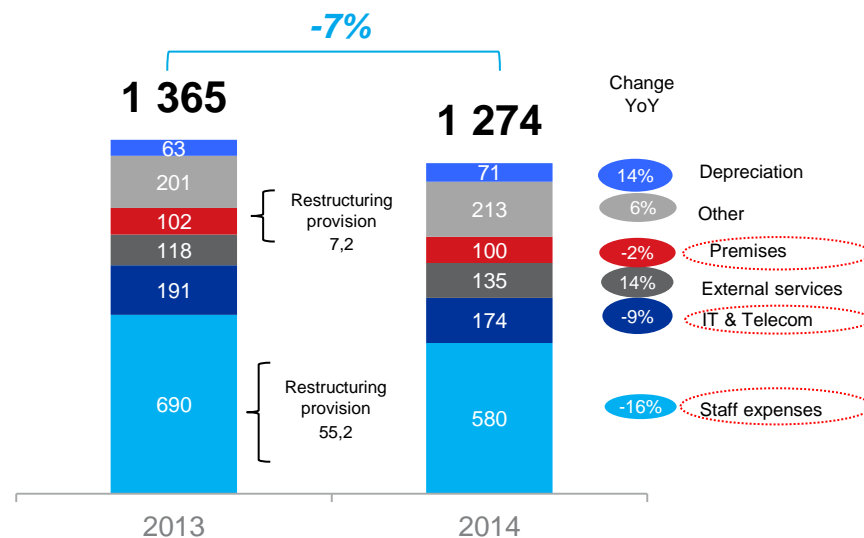
Expenses and depreciation (PLN MM)



Operating expenses in 4Q 2013 include restructuring provision of PLN 62,4 MM and in 4Q 2014 provision for completion of cooperation with selected external partners of 12 PLN MM .

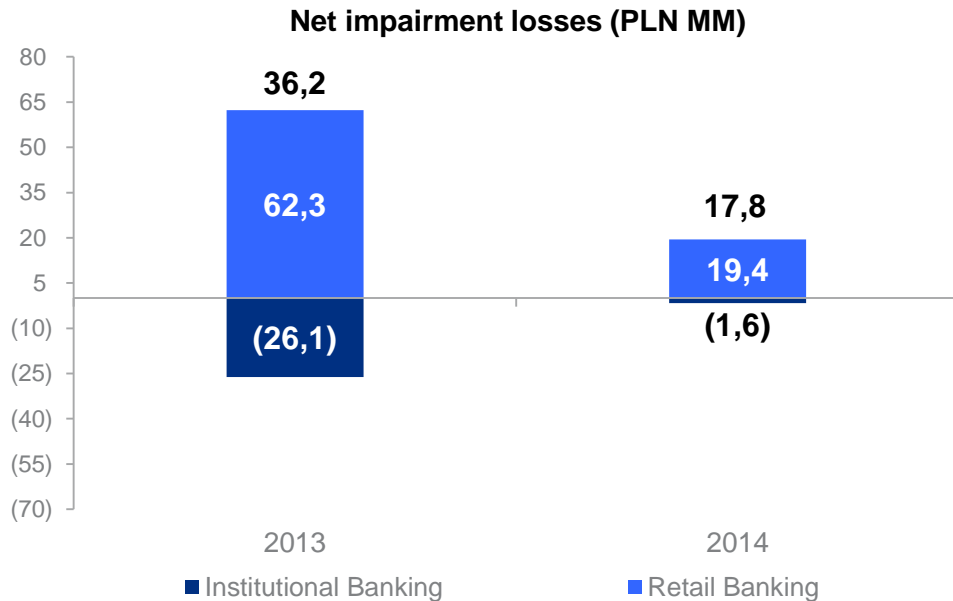
After excluding provisions decrease in costs is 3% YoY.

Expenses and depreciation (PLN MM) by type

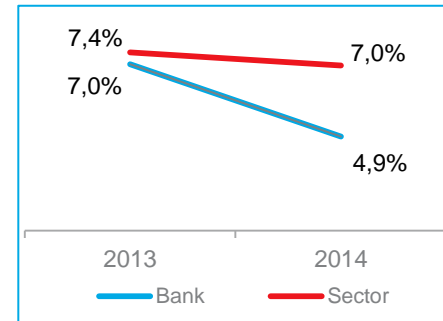


- **The YoY decrease in Bank's expenses** mainly due to:
 - employment restructuring (the decrease in staff expenses)
 - the branch network optimization (partially offset by investment in the Bank Ecosystem Smart)
 - reduce spending on telecommunication charges and hardware
- **Cost / Income ratio** at **53%** for 2014 r.

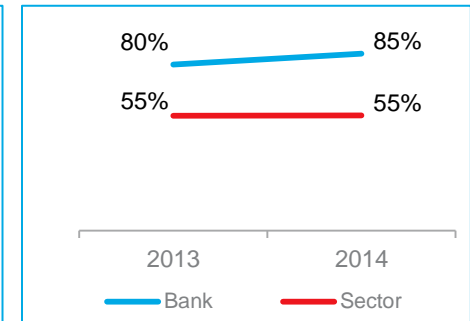
Low Cost of Risk



Non-performing loans ratio (NPL)



Provision coverage ratio

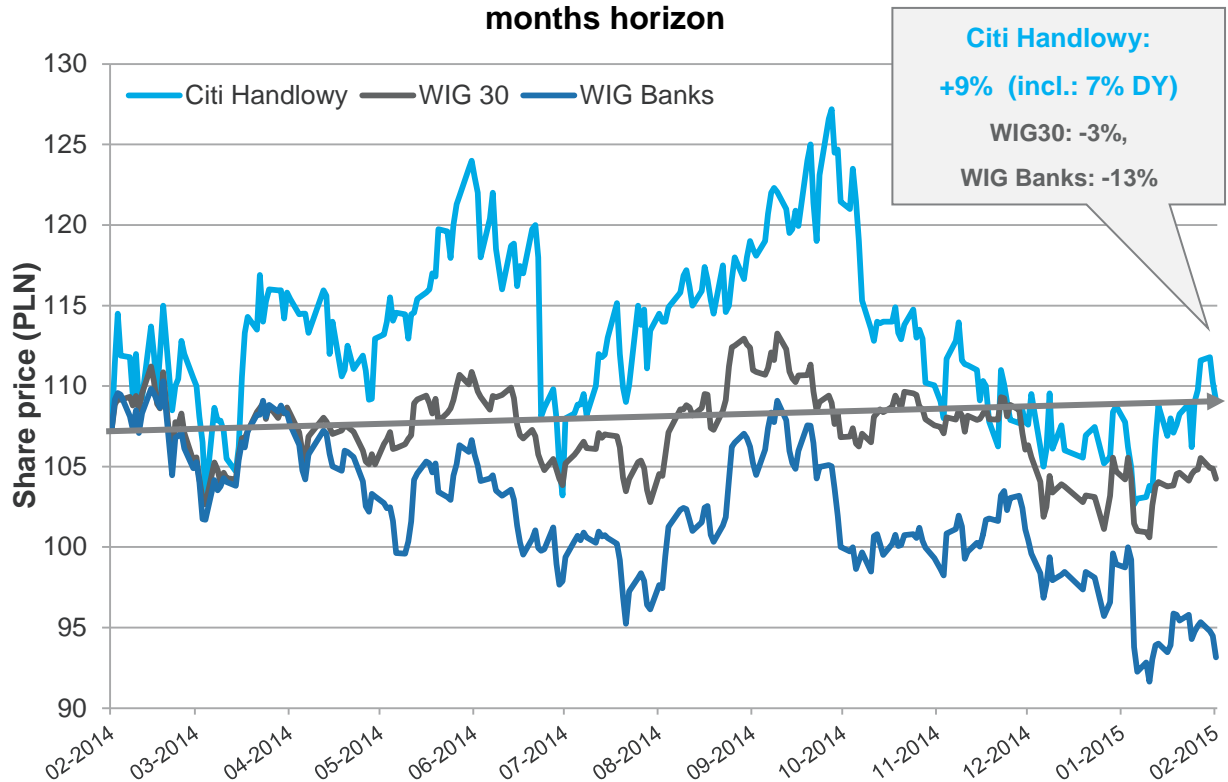


- Stabilization of **retail portfolio quality improvement** – 2014 **cost of risk significantly better than the sector (0,3% vs. -0,9% in the sector)**
- **Sale of impaired portfolio** of credit cards and cash loans:
 - **4Q 2014** - portfolio value of **PLN 162 MM**
 - impact on P&L of **PLN 34,7MM**
- **NPL ratio and provision coverage ratio** better than sector

- **High quality** of assets and equity confirmed in stress test results:
 - CAR / CET 1 for 2016 year-end: **15,74%** in base scenario and **14,92%** in adverse scenario on the assumption that **dividend payout ratio at 100%** of 2014-2016 net income
- **The lack of the problems with Swiss franc mortgage loans**

Creating value for shareholders

Banks share price index WIG30 and WIG Banks against in the latest 12 months horizon



Note: The latest listing as of February, 11th 2015 (Citi Handlowy: PLN 109,10)

Citi Handlowy member of the prestigious WSE indices



- **Responsible company index** with high standards of **corporate governance, information and investor relation governance.**
- Citi Handlowy was the eighth time in the group of socially responsible companies.

MSCI

- Citi Handlowy **member of the prestigious index of companies** with high standards in the areas of corporate governance, environmental protection and social responsibility.

Dividends paid by Citi Handlowy since its 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%

Appendix

Income statement – Bank

PLN MM	4Q13	1Q14	2Q14	3Q14	4Q14	2013	2014	2014 vs. 2013	
								PLN MM	%
Net interest income	298	293	302	304	265	1 242	1 164	(78)	(6%)
Interest income	390	379	388	386	336	1 646	1 489	(157)	(10%)
Interest expenses	(91)	(86)	(86)	(82)	(71)	(404)	(325)	79	(20%)
Net fee and commission income	161	157	167	144	150	642	619	(23)	(4%)
Dividend income	0	-	6	0	0	4	6	1	31%
Gains on AFS debt securities	20	40	66	58	67	305	230	(75)	(25%)
FX and professional market	83	125	106	66	85	349	382	33	10%
Hedge accounting	2	(1)	-	0	-	2	(0)	(2)	-
Treasury	105	164	172	124	152	656	612	(45)	(7%)
Net gain on equity investment instruments	-	3	-	1	3	2	6	5	-
Net other operating income	(9)	3	5	4	(1)	(0)	11	11	-
Revenue	555	621	651	577	568	2 547	2 417	(129)	(5%)
Expenses	(357)	(296)	(310)	(286)	(310)	(1 302)	(1 203)	99	(8%)
Depreciation	(19)	(18)	(18)	(18)	(18)	(63)	(71)	(9)	14%
Expenses and depreciation	(376)	(314)	(328)	(304)	(327)	(1 365)	(1 274)	91	(7%)
Operating margin	179	306	323	273	241	1 182	1 143	(39)	(3%)
Net impairment losses	19	2	(4)	8	12	36	18	(18)	-
EBIT	198	309	319	282	258	1 218	1 168	(50)	(4%)
Corporate income tax	(46)	(61)	(53)	(53)	(53)	(245)	(220)	25	(10%)
Net profit	152	248	266	228	205	973	947	(25)	(3%)
C/I ratio	68%	51%	50%	53%	58%	54%	53%		

Institutional Banking – income statement

PLN MM	4Q13	1Q14	2Q14	3Q14	4Q14	2013	2014	2014 vs. 2013	
								PLN MM	%
Net interest income	136	132	137	132	116	581	516	(65)	(11%)
Interest income	208	199	203	194	168	887	764	(123)	(14%)
Interest expenses	(72)	(67)	(66)	(62)	(52)	(306)	(248)	58	(19%)
Net fee and commission income	73	69	73	66	71	297	280	(17)	(6%)
Dividend income	0	-	2	0	0	1	2	1	49%
Gains on AFS debt securities	20	40	66	58	67	305	230	(75)	(25%)
FX and professional market	75	118	98	57	77	316	351	35	11%
Hedge accounting	2	(1)	-	0	-	2	(0)	(2)	-
Treasury	97	157	164	115	144	623	580	(43)	(7%)
Net gain on equity investment instruments	-	3	-	1	3	2	6	5	-
Net other operating income	2	11	9	10	2	27	32	5	17%
Revenue	308	371	385	324	337	1 531	1 416	(115)	(7%)
Expenses	(139)	(129)	(137)	(119)	(131)	(560)	(516)	44	(8%)
Depreciation	(6)	(6)	(6)	(6)	(6)	(26)	(24)	2	(7%)
Expenses and depreciation	(146)	(135)	(142)	(125)	(137)	(585)	(540)	46	(8%)
Operating margin	162	236	243	199	199	946	877	(69)	(7%)
Net impairment losses	(8)	(2)	0	12	(12)	(26)	(2)	24	-
EBIT	154	234	243	212	187	919	876	(43)	(5%)
C/I ratio	47%	36%	37%	39%	41%	38%	38%		

Retail Banking – income statement

PLN MM	4Q13	1Q14	2Q14	3Q14	4Q14	2013	2014	2014 vs. 2013	
								PLN MM	%
Net interest income	162	161	165	172	149	661	648	(13)	(2%)
Interest income	182	180	185	192	168	759	725	(34)	(4%)
Interest expenses	(19)	(19)	(20)	(20)	(19)	(98)	(78)	21	(21%)
Net fee and commission income	88	88	94	78	79	346	339	(7)	(2%)
Dividend income	-	-	4	-	-	3	4	1	22%
FX and professional market	8	8	8	9	8	33	31	(2)	(6%)
Net other operating income	(12)	(8)	(4)	(6)	(3)	(27)	(21)	6	(23%)
Revenue	247	250	266	253	232	1 016	1 001	(15)	(1%)
Expenses	(218)	(167)	(174)	(167)	(179)	(742)	(687)	56	(8%)
Depreciation	(12)	(12)	(12)	(12)	(12)	(37)	(47)	(11)	29%
Expenses and depreciation	(230)	(179)	(186)	(179)	(190)	(779)	(734)	45	(6%)
Operating margin	16	70	80	75	42	237	267	30	13%
Net impairment losses	27	5	(5)	(4)	24	62	19	(43)	(69%)
EBIT	44	75	75	70	71	299	292	(7)	(2%)
C/I ratio	93%	72%	70%	71%	82%	77%	73%		

Balance Sheet

PLN B	End of period					4Q14 vs. 3Q14		4Q14 vs. 4Q13	
	4Q13	1Q14	2Q14	3Q14	4Q14	PLN B	%	PLN B	%
Cash and balances with the Central Bank	0,8	2,0	1,2	0,7	1,5	0,8	126%	0,7	96%
Amounts due from banks	3,5	4,1	4,6	2,6	2,1	(0,6)	(22%)	(1,5)	(42%)
Financial assets held-for-trading	5,8	7,6	7,0	10,8	12,7	2,0	18%	7,0	121%
Debt securities available-for-sale	17,6	13,4	12,9	15,8	14,4	(1,4)	(9%)	(3,2)	(18%)
Customer loans	15,2	18,0	17,0	17,7	16,8	(0,9)	(5%)	1,5	10%
Financial sector entities	0,7	2,6	1,2	1,3	1,0	(0,2)	(19%)	0,3	43%
including reverse repo receivables	0,1	2,0	0,6	0,7	0,6	(0,1)	(9%)	0,5	495%
Non-financial sector entities	14,5	15,4	15,8	16,4	15,7	(0,6)	(4%)	1,2	8%
Corporate Banking	9,2	10,0	10,1	10,6	9,9	(0,7)	(7%)	0,6	7%
Consumer Banking	5,3	5,4	5,6	5,8	5,9	0,1	1%	0,6	11%
Unsecured receivables	4,2	4,3	4,5	4,6	4,6	0,0	0%	0,4	10%
Credit cards	2,0	2,0	2,1	2,1	2,1	(0,0)	(1%)	0,1	6%
Cash loans	2,2	2,2	2,4	2,4	2,5	0,0	2%	0,3	15%
Other unsecured receivables	0,1	0,1	0,1	0,1	0,1	(0,0)	(16%)	(0,0)	(17%)
Mortgage	1,1	1,1	1,1	1,2	1,2	0,0	4%	0,2	16%
Other assets	2,5	2,9	2,7	2,7	2,3	(0,4)	(15%)	(0,2)	(6%)
Total assets	45,4	48,0	45,4	50,3	49,8	(0,4)	(1%)	4,4	10%
Liabilities due to banks	6,4	6,9	4,1	8,8	5,1	(3,7)	(42%)	(1,3)	(20%)
Financial liabilities held-for-trading	4,2	5,2	5,8	6,4	6,8	0,4	6%	2,6	61%
Financial liabilities due to customers	26,6	26,6	26,3	26,4	29,6	3,2	12%	3,1	12%
Financial sector entities - deposits	3,3	4,1	4,6	4,7	3,1	(1,6)	(33%)	(0,1)	(4%)
Non-financial sector entities - deposits	22,8	21,1	21,2	21,1	26,4	5,3	25%	3,6	16%
Corporate Banking	15,9	13,8	13,9	13,7	18,7	5,0	37%	2,8	18%
Consumer Banking	6,9	7,2	7,4	7,4	7,7	0,3	4%	0,8	11%
Other financial liabilities	0,5	1,4	0,5	0,7	0,1	(0,6)	(81%)	(0,4)	(73%)
Other liabilities	0,9	1,8	2,3	1,4	0,9	(0,5)	(36%)	(0,0)	(4%)
Total liabilities	38,1	40,5	38,4	43,1	42,4	(0,6)	(1%)	4,3	11%
Equity	7,3	7,5	6,9	7,2	7,4	0,2	3%	0,1	1%
Total liabilities & equity	45,4	48,0	45,4	50,3	49,8	(0,4)	(1%)	4,4	10%
Loans / Deposits ratio	64%	73%	74%	78%	60%				
Capital Adequacy Ratio	17,5%	16,6%	17,0%	16,4%	17,5%				