



May 13, 2016

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Bank Handlowy w Warszawie S.A.

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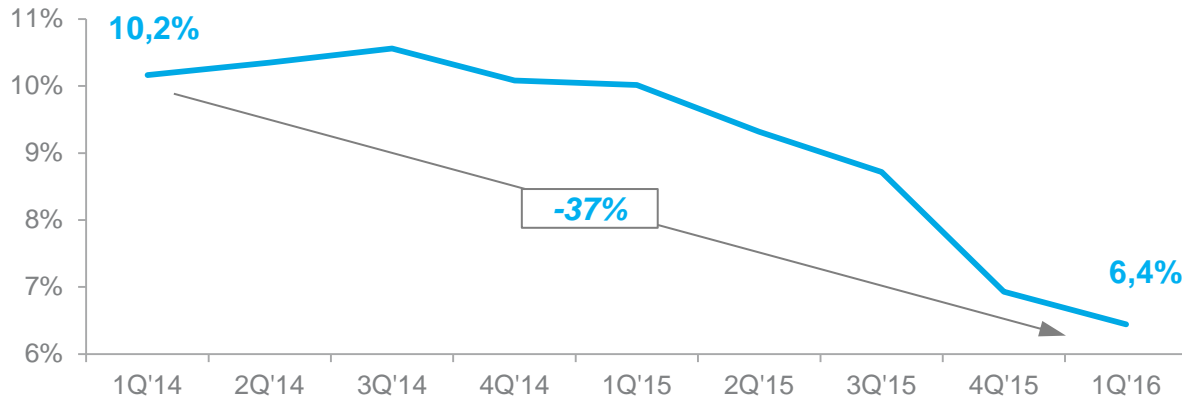
1Q consolidated financial results

citi handlowy®

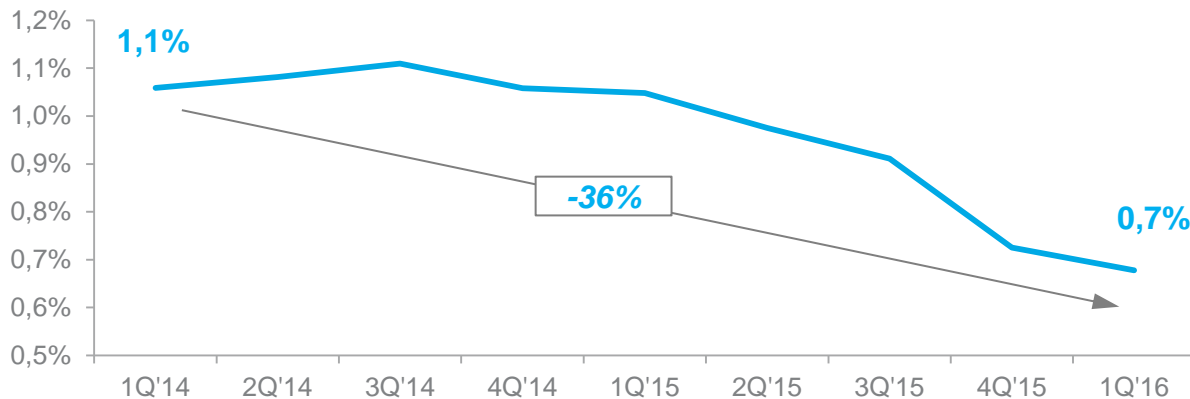
# Banking sector profitability

## Banking sector profitability in new environment

### ROTE



### ROA



## Banking sector risk factors

- Low/negative interest rate environment
- FX mortgage loans portfolio
- Bank levy
- Changes in Bank Guarantee Fund
- Bancassurance

# 1Q 2016 Summary

## Treasury

- **Negative changes in market environment** e.g. Polish credit rating lowered by Standard&Poors from A- level to BBB+
- Net trading income lower than in previous quarters

## Profitability and growth in new environment

- Net profit **PLN 104 MM**
- Bank's profitability level **above sector** : ROTE **10.3%**; ROA **1.0%**;
- **Loans volume growth** of institutional clients **+7% YoY** as well as in retail segment: **+5% YoY**;
- **Current accounts volume growth** of institutional clients **+33% YoY** as well as in retail segment: **+16% YoY**;

## Achievement of strategic business goals

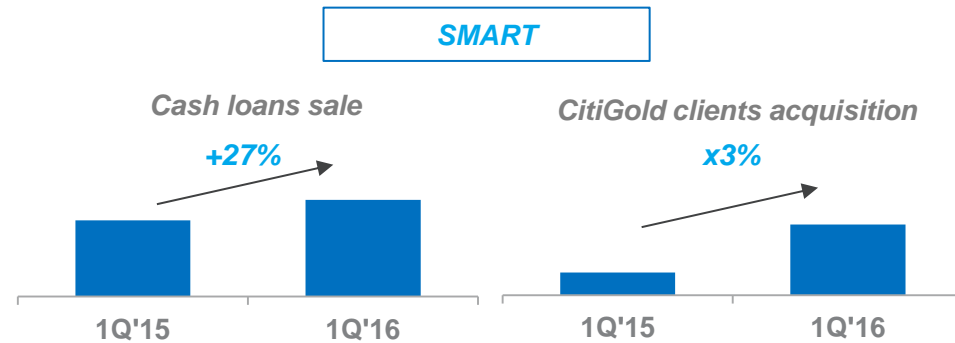
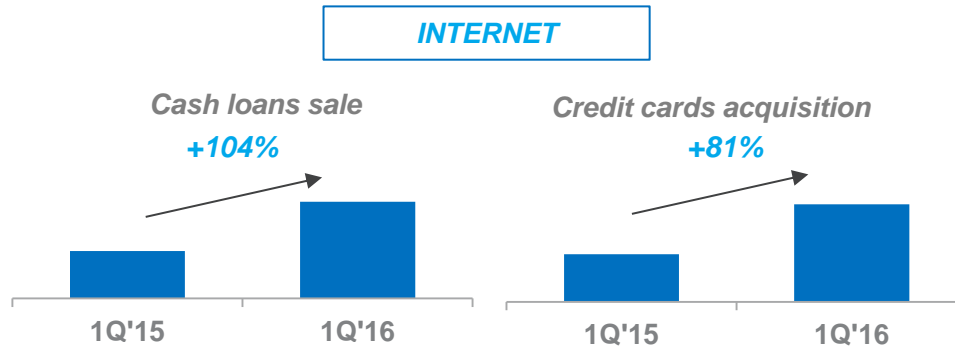
- Maintaining **leader position on credit cards market**: **25.2%** in terms of credit card loans volume;
- **Banking products distribution process digitalization**: cash loans cell in internet channel: **+104% YoY** and **48% QoQ**;
- **Emerging Market Champions** program participants number increase: **+15% YoY**;

## Security and stability

- Strong **capital position**: Tier1 = **17.5%**, banking sector = **15.0%**  
(banking sector data as of the end of 2015)
- High **liquidity**: L/D = **64%**, banking sector = **101%**;
- **Consequent build-up of shareholders value** – dividend payout for 2015 amounting to **PLN 611 MM** according to Management recommendation; **dividend yield 6.4%**

# Retail Banking

## Sales increase via Internet and SMART branches



Digital customers transactionally active

**71%**  
+ 2 p.p. YoY

Electronic bank statement

**93%**  
+ 4 p.p. YoY

## Execution of relationship banking strategy

**#1** in Euromoney Privat Banking ranking



↑ **5%**  
YoY

CPC, Citigold, CitiPriority clients number,

## Leader on the credit cards market



**+51% YoY** credit cards acquisition growth

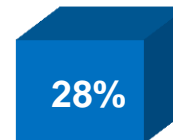


**Złoty Bankier** award in Credit Card category for **Citi Simplicity**

## Quality in relations with clients (NPS) in line with target

### CitiBank Online

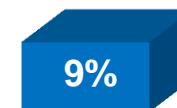
↑ **18 p.p.** YoY



Mainly as a result of **changes in functionality** based on **clients suggestions**

### CitiMobile

↑ **15 p.p.** YoY



**Snapshot & Touch ID** functions especially appreciated by clients

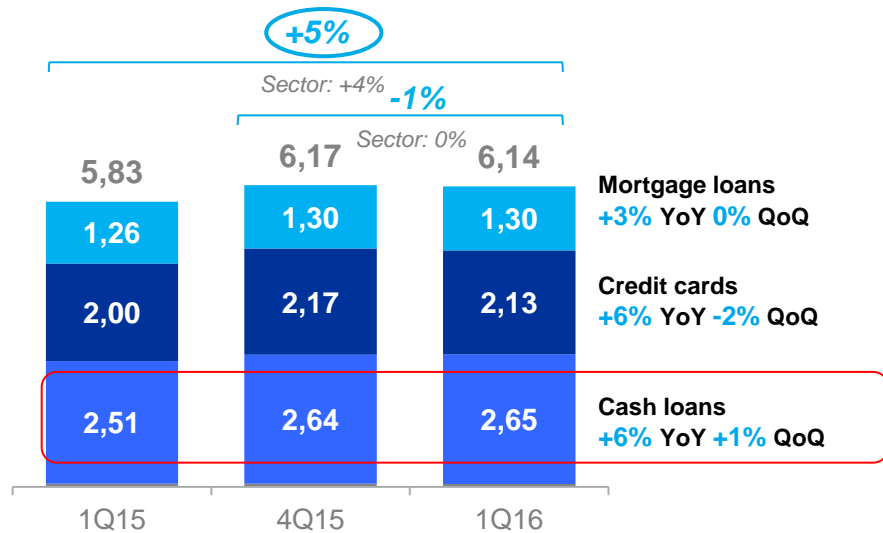
↓ **28%** YoY

Lower number of complaints – mainly in fees related area

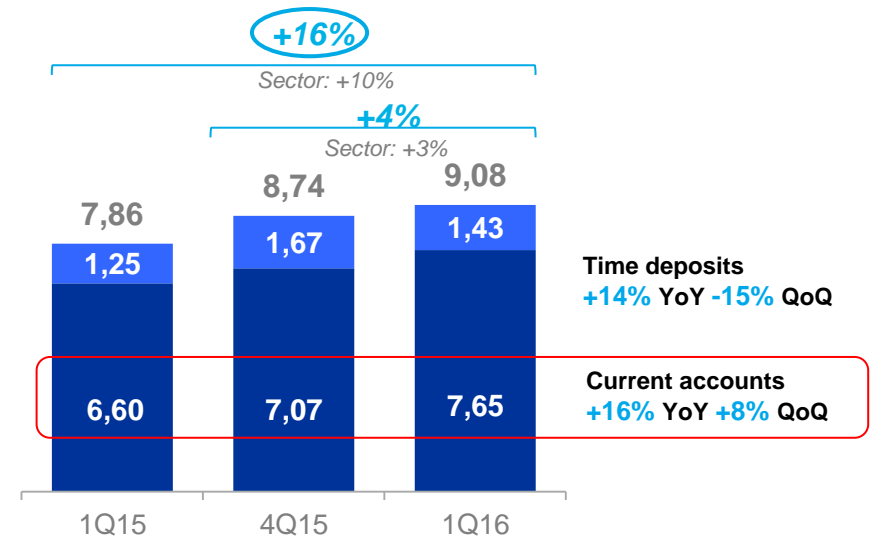
„Treating Customers Fairly”

# Retail Banking – volumes & financial results

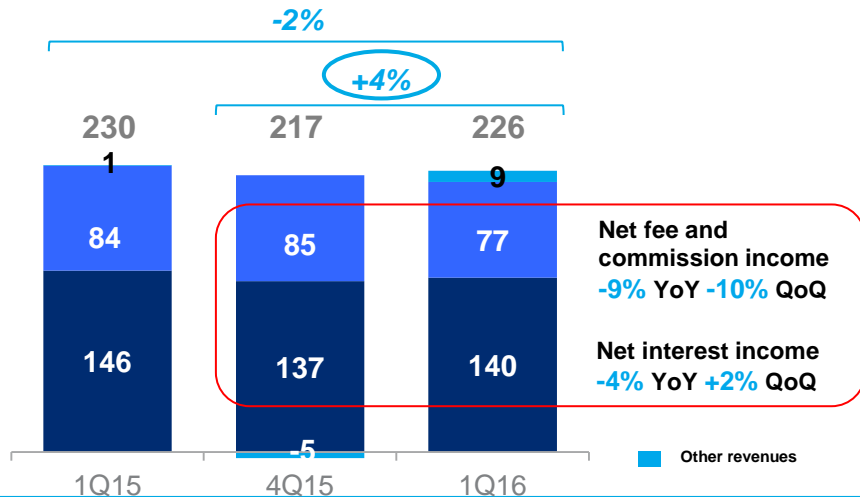
## Loans (PLN B)



## Deposits (PLN B)

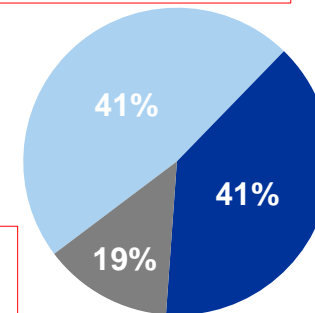


## Revenue (PLN MM)



## 1Q'16 net fee and commission income by product

Investment products -33% YoY ; -14% QoQ  
Insurance products -19% YoY ; +5% QoQ



Cash loans and other  
+40% YoY  
+5% QoQ

Credit cards  
+6% YoY  
(excl. interchange)  
-20% QoQ

# Institutional Banking – leader in strategic areas

## Emerging Market Champions Program



**352** Global companies investing in Poland

**51** Polish companies investing worldwide

## Transactional banking – business development

### Operating accounts

**+33% YoY**  
Operating accounts balance

### Supplier financing program

**+25% YoY**  
Average assets of the program

### Payment order

**+28% YoY**  
Number of realized transactions

### Prepaid cards

**+18% YoY**  
Cashless transactions value

## SEPA Direct Debit in Citi FX Pulse

- **Unique solution on Polish market** integrating Direct Debit and currency exchange on one internet platform
- Solution dedicated to **importers**



## Leading position on financial markets

Bond issue program for postal services company  
**PLN 700 MM**

Arranger Dealer

**+5 p.p. YoY**

**80%**

of money exchange transactions realized on

**CitiFXPULSE**

**10%**

**#1**

In equity turnover on secondary market

**+9% YoY**

**CitiFX Stocks**

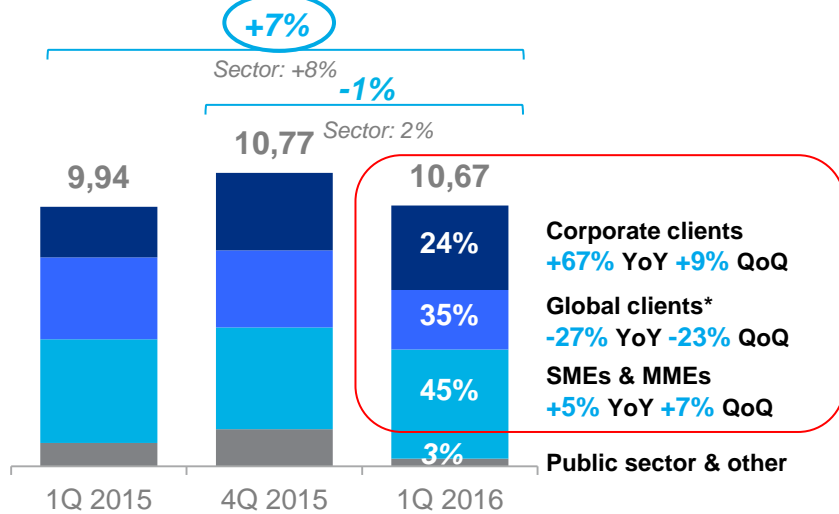
WZRODZAJ DZIAŁALNOŚCI  
2410 9270 16960 6649

Number of investment accounts

# Institutional banking – volumes & financial results

## Loans (PLN B)

excluding reverse-repo transactions



**Corporate clients**  
+67% YoY +9% QoQ

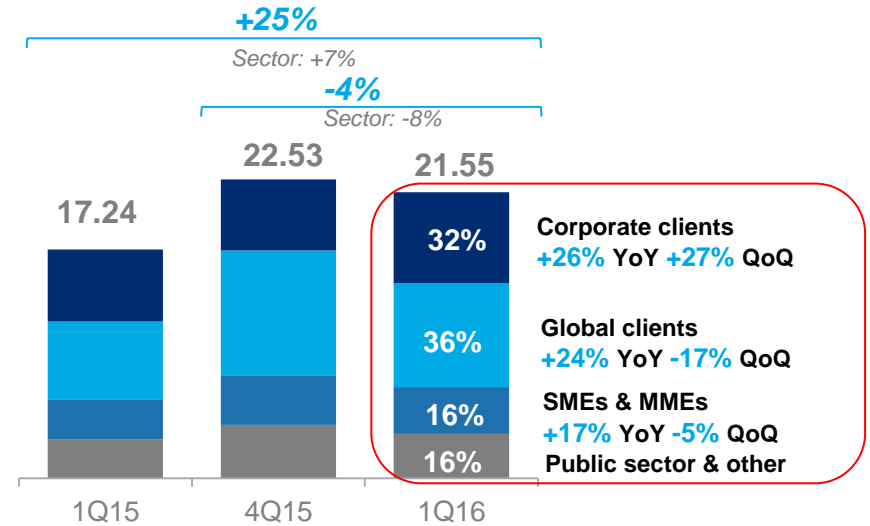
**Global clients\***  
-27% YoY -23% QoQ

**SMEs & MMEs**  
+5% YoY +7% QoQ

**Public sector & other**

\* Financing structure change as a result of financial surplus accumulation

## Deposits (PLN B)



**Corporate clients**  
+26% YoY +27% QoQ

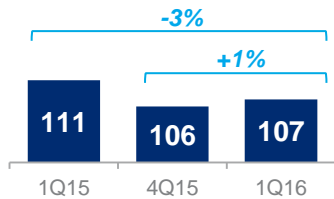
**Global clients**  
+24% YoY -17% QoQ

**SMEs & MMEs**  
+17% YoY -5% QoQ

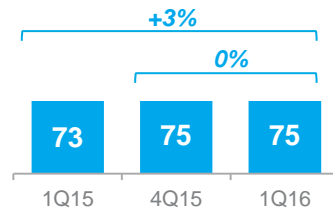
**Public sector & other**

## Revenues (PLN MM)

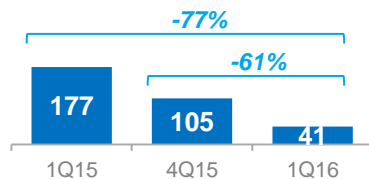
Net interest income



Net fee & commission and other income

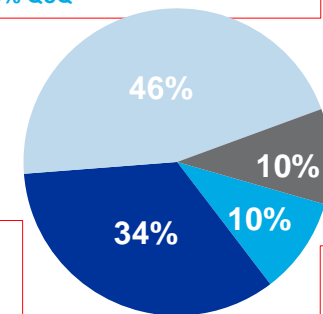


Treasury result



## 1Q'16 net fee and commission income by product

Transactional banking including trade products  
-3% YoY  
-5% QoQ



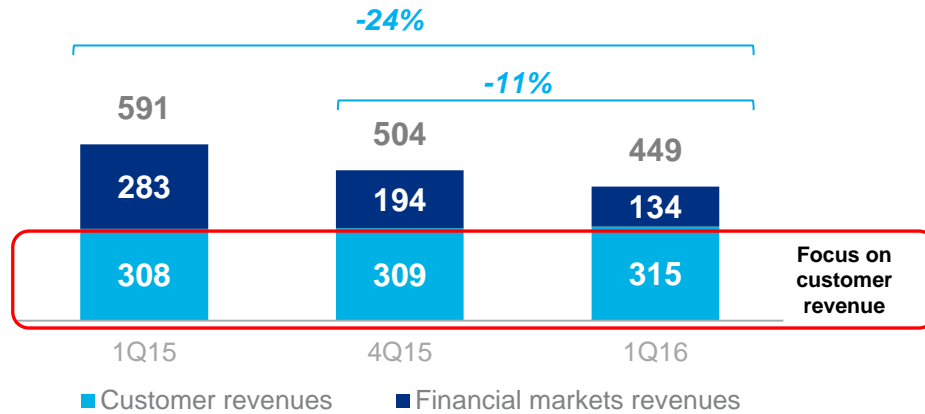
Custody  
-3% YoY  
+6% QoQ

Other

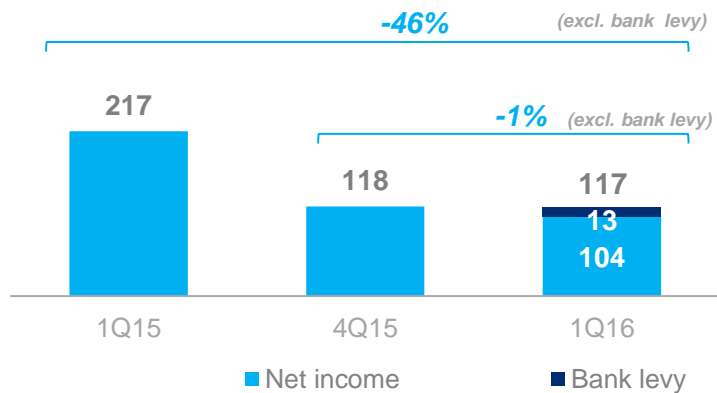
Brokerage  
-29% YoY  
-19% QoQ

# Revenue and net income

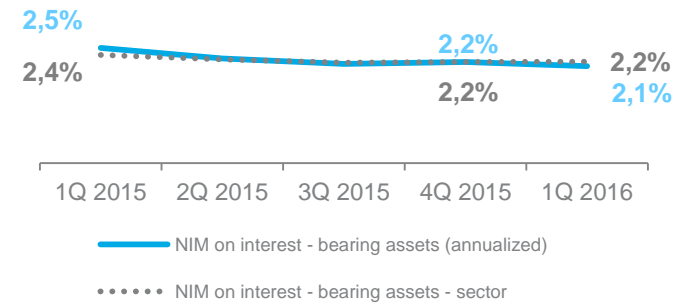
## Revenue (PLN MM)



## Net income (PLN MM)



## Interest margin (%)



## 1Q'16 key financial ratios

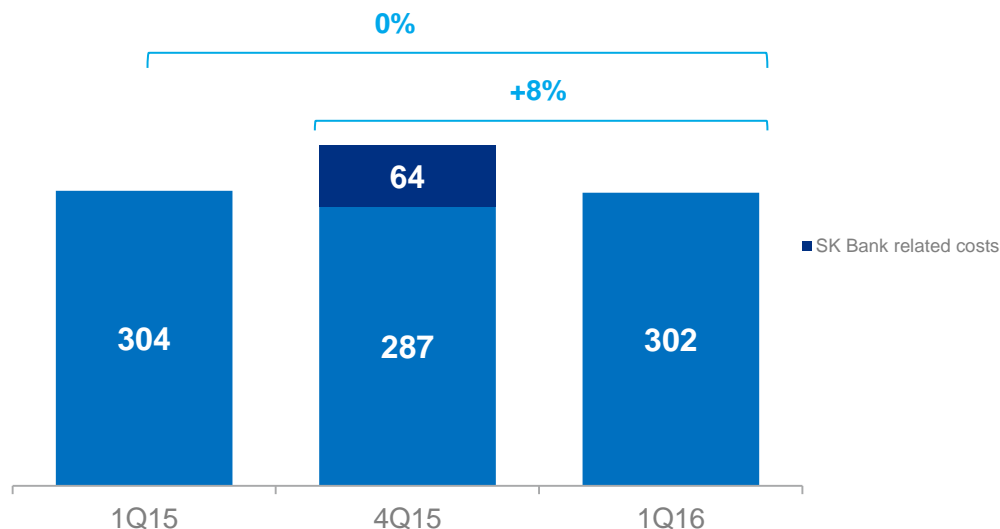
	Bank*	Sector
ROA	1.0%	0.7%
ROTE	10.3%	6.4%
ROE	8.2%	6.3%

\* Ratios calculated on the base of consolidated net income



# Operating expenses and cost of credit

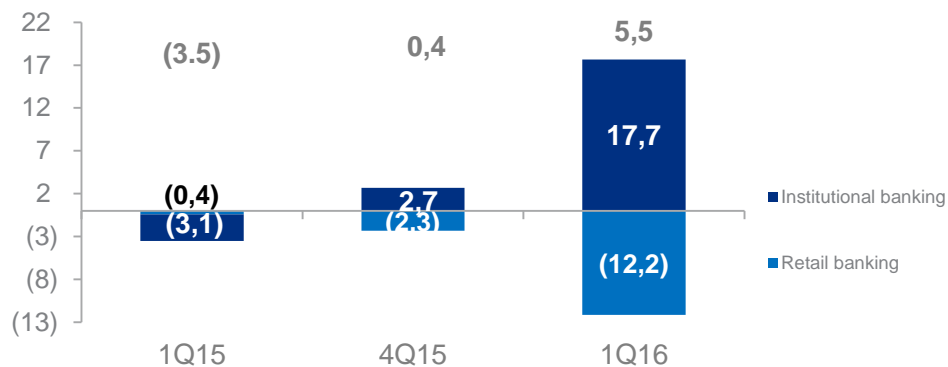
## General administrative expenses and depreciation (PLN MM) (excl. one-off impact)



### Comments (year over year changes):

- Bank's expenses remained unchanged
- Long term trend of basic costs decline continued

## Net impairment result (PLN MM)



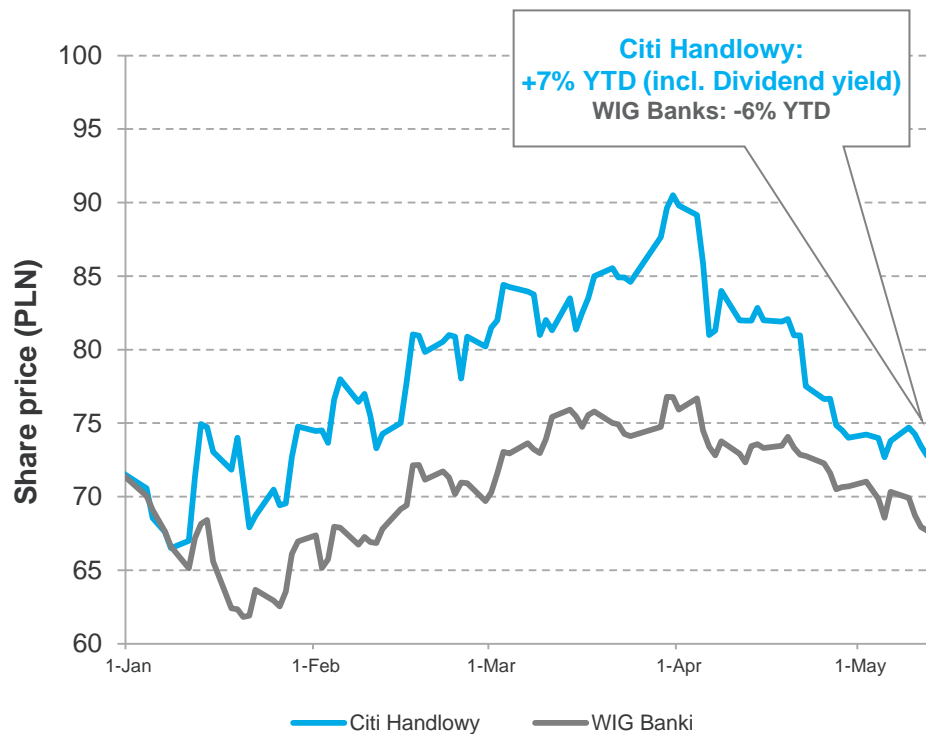
### Comments (year over year changes):

- Bank's **cost of risk** and **coverage ratio** better than in the banking sector.
- **Retail banking** – increase in the average age of the portfolio.
- **Institutional banking** – higher level of release of the provision for individually assessed impaired loans.
- Maintaining low level of non-performing loans ratio (**NPL**)

NPL	4.7%	3.2%	3.4%

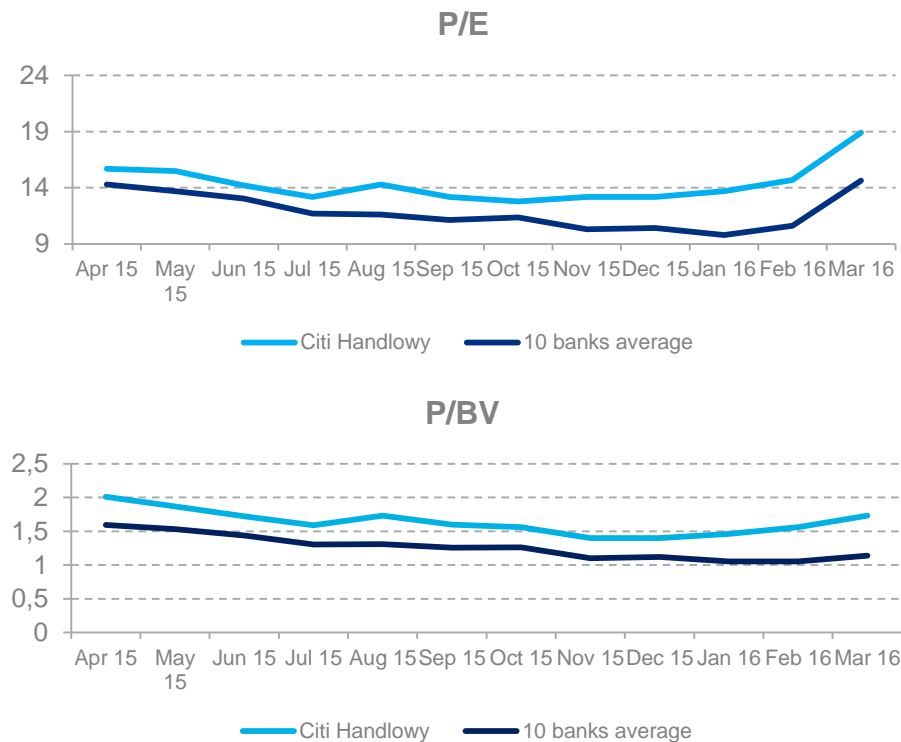
# Change in Bank's share price

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



Note: Last quotation from May 12th., 2016 (Citi Handlowy: PLN 72.80)

**P/E & P/BV ratios in 12M horizon**



**Dividends paid by Citi Handlowy (2009-2015)**

	2009	2010	2011	2012	2013	2014	2015*
<b>Dividend payout ratio</b>	94%	100%	50%	75%	100%	100%	99%
<b>Dividend yield</b>	7.1%	7.1%	3.3%	7.1%	7.0%	7.4%	6.4%

\*Bank's Management recommendation with positive Supervisory Board opinion

## Appendix

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# Income statement - Bank

PLN MM	1Q15	2Q15	3Q15	4Q15	1Q16	1Q16 vs. 4Q15		1Q16 vs. 1Q15	
						PLN MM	%	PLN MM	%
<b>Net interest income</b>	<b>257</b>	<b>240</b>	<b>237</b>	<b>243</b>	<b>247</b>	<b>4</b>	<b>2%</b>	<b>(9)</b>	<b>(4%)</b>
Interest income	310	290	293	311	307	(4)	(1%)	(3)	(1%)
Interest expenses	(53)	(50)	(57)	(96)	(60)	37	(38%)	(7)	12%
<b>Net fee and commission income</b>	<b>151</b>	<b>159</b>	<b>169</b>	<b>153</b>	<b>143</b>	<b>(10)</b>	<b>(7%)</b>	<b>(9)</b>	<b>(6%)</b>
Dividend income	-	7	0	0	0	(0)	(98%)	0	-
Gains on AFS debt securities	98	20	-	26	7	(20)	(75%)	(92)	(93%)
FX and professional market	86	72	56	79	38	(41)	(52%)	(47)	(55%)
Hedge accounting	-	1	4	3	4	1	51%	4	-
<b>Treasury</b>	<b>184</b>	<b>93</b>	<b>60</b>	<b>109</b>	<b>49</b>	<b>(60)</b>	<b>(55%)</b>	<b>(135)</b>	<b>(73%)</b>
Net gain on equity investment instruments	-	-	2	-	-	-	-	-	-
Net other operating income	(1)	(1)	(9)	(1)	10	11	-	11	-
<b>Revenue</b>	<b>591</b>	<b>498</b>	<b>459</b>	<b>504</b>	<b>449</b>	<b>(54)</b>	<b>(11%)</b>	<b>(142)</b>	<b>(24%)</b>
Expenses	(295)	(294)	(282)	(337)	(295)	43	(13%)	1	(0%)
Depreciation	(18)	(18)	(18)	(18)	(19)	(1)	6%	(1)	5%
<b>Expenses and depreciation</b>	<b>(313)</b>	<b>(311)</b>	<b>(299)</b>	<b>(355)</b>	<b>(313)</b>	<b>42</b>	<b>(12%)</b>	<b>(0)</b>	<b>0%</b>
<b>Operating margin</b>	<b>278</b>	<b>186</b>	<b>160</b>	<b>149</b>	<b>136</b>	<b>(13)</b>	<b>(9%)</b>	<b>(142)</b>	<b>(51%)</b>
Profit/(loss) on sale of tangible fixed assets	0	0	0	0	0	(0)	(63%)	0	125%
<b>Net impairment losses</b>	<b>(4)</b>	<b>(2)</b>	<b>22</b>	<b>0</b>	<b>6</b>	<b>5</b>	<b>1459%</b>	<b>9</b>	<b>-</b>
Share in profits / (losses) of entities valued at the equity method	0	0	0	(0)	(0)	0	(97%)	(0)	-
Tax on certain financial institutions	-	-	-	-	(13)	(13)	-	(13)	-
<b>EBIT</b>	<b>275</b>	<b>184</b>	<b>183</b>	<b>149</b>	<b>128</b>	<b>(21)</b>	<b>(14%)</b>	<b>(146)</b>	<b>(53%)</b>
Corporate income tax	(58)	(34)	(42)	(31)	(24)	7	(22%)	34	(58%)
<b>Net profit</b>	<b>217</b>	<b>150</b>	<b>141</b>	<b>118</b>	<b>104</b>	<b>(14)</b>	<b>(12%)</b>	<b>(113)</b>	<b>(52%)</b>
<b>C/I ratio</b>	<b>53%</b>	<b>63%</b>	<b>65%</b>	<b>70%</b>	<b>70%</b>				

# Institutional Banking – income statement

PLN MM	1Q15	2Q15	3Q15	4Q15	1Q16	1Q16 vs. 4Q15		1Q16 vs. 1Q15	
						PLN MM	%	PLN MM	%
<b>Net interest income</b>	<b>111</b>	<b>105</b>	<b>98</b>	<b>106</b>	<b>107</b>	<b>1</b>	<b>1%</b>	<b>(4)</b>	<b>(3%)</b>
Interest income	151	144	145	163	155	(8)	(5%)	4	3%
Interest expenses	(40)	(39)	(46)	(85)	(48)	38	(44%)	(8)	19%
<b>Net fee and commission income</b>	<b>67</b>	<b>70</b>	<b>75</b>	<b>68</b>	<b>66</b>	<b>(2)</b>	<b>(3%)</b>	<b>(1)</b>	<b>(2%)</b>
Dividend income	-	1	0	0	0	(0)	(98%)	0	-
Gains on AFS debt securities	98	20	-	26	7	(20)	(75%)	(92)	(93%)
FX and professional market	78	64	47	76	30	(46)	(60%)	(48)	(61%)
Hedge accounting	-	1	4	3	4	1	51%	4	-
<b>Treasury</b>	<b>177</b>	<b>85</b>	<b>52</b>	<b>105</b>	<b>41</b>	<b>(64)</b>	<b>(61%)</b>	<b>(136)</b>	<b>(77%)</b>
Net gain on equity investment instruments	-	-	2	-	-	-	-	-	-
Net other operating income	5	2	3	7	9	2	25%	4	71%
<b>Revenue</b>	<b>361</b>	<b>264</b>	<b>231</b>	<b>286</b>	<b>224</b>	<b>(63)</b>	<b>(22%)</b>	<b>(137)</b>	<b>(38%)</b>
Expenses	(131)	(127)	(122)	(164)	(129)	35	(21%)	3	(2%)
Depreciation	(6)	(6)	(6)	(6)	(6)	0	(4%)	0	(4%)
<b>Expenses and depreciation</b>	<b>(137)</b>	<b>(133)</b>	<b>(128)</b>	<b>(169)</b>	<b>(134)</b>	<b>35</b>	<b>(21%)</b>	<b>3</b>	<b>(2%)</b>
<b>Operating margin</b>	<b>223</b>	<b>130</b>	<b>103</b>	<b>117</b>	<b>89</b>	<b>(28)</b>	<b>(24%)</b>	<b>(134)</b>	<b>(60%)</b>
Profit/(loss) on sale of tangible fixed assets	0	0	0	0	0	(0)	(63%)	0	125%
Net impairment losses	(3)	2	2	3	18	15	558%	21	-
Tax on certain financial institutions	-	-	-	-	(10)	(10)	-	(10)	-
Share in profits / (losses) of entities valued at the equity method	0	0	0	(0)	(0)	0	(97%)	(0)	-
<b>EBIT</b>	<b>220</b>	<b>133</b>	<b>105</b>	<b>120</b>	<b>97</b>	<b>(22)</b>	<b>(19%)</b>	<b>(123)</b>	<b>(56%)</b>
<b>C/I ratio</b>	<b>38%</b>	<b>51%</b>	<b>55%</b>	<b>59%</b>	<b>60%</b>				

# Retail Banking – income statement

PLN MM	1Q15	2Q15	3Q15	4Q15	1Q16	1Q16 vs. 4Q15		1Q16 vs. 1Q15	
						PLN MM	%	PLN MM	%
<b>Net interest income</b>	<b>146</b>	<b>135</b>	<b>138</b>	<b>137</b>	<b>140</b>	<b>3</b>	<b>2%</b>	<b>(6)</b>	<b>(4%)</b>
Interest income	159	145	149	148	152	4	3%	(7)	(4%)
Interest expenses	(13)	(11)	(10)	(11)	(12)	(1)	10%	1	(9%)
<b>Net fee and commission income</b>	<b>84</b>	<b>88</b>	<b>94</b>	<b>85</b>	<b>77</b>	<b>(8)</b>	<b>(10%)</b>	<b>(7)</b>	<b>(9%)</b>
Dividend income	-	6	-	-	-	-	-	-	-
FX and professional market	7	8	9	3	8	5	146%	1	9%
Net other operating income	(7)	(3)	(12)	(8)	1	9	-	8	-
<b>Revenue</b>	<b>230</b>	<b>234</b>	<b>229</b>	<b>217</b>	<b>226</b>	<b>8</b>	<b>4%</b>	<b>(5)</b>	<b>(2%)</b>
Expenses	(164)	(167)	(160)	(174)	(166)	8	(4%)	(2)	1%
Depreciation	(12)	(12)	(12)	(12)	(13)	(1)	10%	(1)	10%
<b>Expenses and depreciation</b>	<b>(176)</b>	<b>(178)</b>	<b>(171)</b>	<b>(185)</b>	<b>(179)</b>	<b>7</b>	<b>(4%)</b>	<b>(3)</b>	<b>2%</b>
<b>Operating margin</b>	<b>55</b>	<b>56</b>	<b>57</b>	<b>32</b>	<b>47</b>	<b>15</b>	<b>47%</b>	<b>(8)</b>	<b>(15%)</b>
<b>Net impairment losses</b>	<b>(0)</b>	<b>(4)</b>	<b>21</b>	<b>(2)</b>	<b>(12)</b>	<b>(10)</b>	<b>421%</b>	<b>(12)</b>	<b>2748%</b>
Tax on certain financial institutions	-	-	-	-	(3)	(3)	-	(3)	-
<b>EBIT</b>	<b>54</b>	<b>52</b>	<b>78</b>	<b>29</b>	<b>31</b>	<b>2</b>	<b>6%</b>	<b>(23)</b>	<b>(43%)</b>
<b>C/I ratio</b>	<b>76%</b>	<b>76%</b>	<b>75%</b>	<b>85%</b>	<b>79%</b>				

# Balance sheet

PLN B	End of period					1Q16 vs. 4Q15		1Q16 vs. 1Q15	
	1Q15	2Q15	3Q15	4Q15	1Q16	PLN B	%	PLN B	%
<b>Cash and balances with the Central Bank</b>	<b>0.7</b>	<b>5.3</b>	<b>1.3</b>	<b>2.2</b>	<b>1.1</b>	<b>(1.1)</b>	<b>(51%)</b>	<b>0.3</b>	<b>44%</b>
Amounts due from banks	2.0	3.6	1.4	0.8	0.8	0.1	8%	(1.1)	(58%)
Financial assets held-for-trading	13.7	9.6	8.5	7.0	8.1	1.2	16%	(5.5)	(40%)
<b>Debt securities available-for-sale</b>	<b>11.2</b>	<b>13.2</b>	<b>17.4</b>	<b>18.4</b>	<b>21.4</b>	<b>3.0</b>	<b>17%</b>	<b>10.2</b>	<b>91%</b>
<b>Customer loans</b>	<b>17.1</b>	<b>17.4</b>	<b>18.6</b>	<b>19.0</b>	<b>17.5</b>	<b>(1.5)</b>	<b>(8%)</b>	<b>0.4</b>	<b>2%</b>
<b>Financial sector entities</b>	<b>1.4</b>	<b>1.0</b>	<b>1.1</b>	<b>2.0</b>	<b>0.7</b>	<b>(1.3)</b>	<b>(66%)</b>	<b>(0.7)</b>	<b>(49%)</b>
including reverse repo receivables	0.9	0.6	0.7	1.4	-	(1.4)	(100%)	(0.9)	(100%)
<b>Non-financial sector entities</b>	<b>15.8</b>	<b>16.4</b>	<b>17.5</b>	<b>16.9</b>	<b>16.8</b>	<b>(0.1)</b>	<b>(1%)</b>	<b>1.0</b>	<b>7%</b>
<b>Institutional Banking</b>	<b>9.9</b>	<b>10.4</b>	<b>11.3</b>	<b>10.8</b>	<b>10.7</b>	<b>(0.1)</b>	<b>(1%)</b>	<b>0.7</b>	<b>7%</b>
<b>Consumer Banking</b>	<b>5.8</b>	<b>6.0</b>	<b>6.1</b>	<b>6.2</b>	<b>6.1</b>	<b>(0.0)</b>	<b>(1%)</b>	<b>0.3</b>	<b>5%</b>
Unsecured receivables	4.6	4.7	4.9	4.9	4.8	(0.0)	(1%)	0.3	6%
Credit cards	2.0	2.1	2.2	2.2	2.1	(0.0)	(2%)	0.1	6%
Cash loans	2.5	2.6	2.6	2.6	2.7	0.0	1%	0.1	6%
Other unsecured receivables	0.1	0.1	0.1	0.1	0.1	(0.0)	(10%)	(0.0)	(12%)
Mortgage	1.3	1.3	1.3	1.3	1.3	0.0	0%	0.0	3%
Other assets	2.5	2.5	2.6	2.3	2.6	0.3	15%	0.1	4%
<b>Total assets</b>	<b>47.2</b>	<b>51.7</b>	<b>49.8</b>	<b>49.5</b>	<b>51.5</b>	<b>2.0</b>	<b>4%</b>	<b>4.3</b>	<b>9%</b>
Liabilities due to banks	4.7	9.5	8.6	7.0	10.6	3.6	52%	5.9	124%
Financial liabilities held-for-trading	7.3	7.6	6.1	3.2	1.8	(1.5)	(46%)	(5.5)	(76%)
<b>Financial liabilities due to customers</b>	<b>26.1</b>	<b>26.1</b>	<b>27.1</b>	<b>31.6</b>	<b>30.8</b>	<b>(0.8)</b>	<b>(3%)</b>	<b>4.6</b>	<b>18%</b>
<b>Financial sector entities - deposits</b>	<b>3.2</b>	<b>3.4</b>	<b>3.3</b>	<b>3.4</b>	<b>4.3</b>	<b>0.9</b>	<b>27%</b>	<b>1.1</b>	<b>33%</b>
<b>Non-financial sector entities - deposits</b>	<b>21.9</b>	<b>22.3</b>	<b>23.7</b>	<b>27.9</b>	<b>26.3</b>	<b>(1.6)</b>	<b>(6%)</b>	<b>4.5</b>	<b>20%</b>
<b>Institutional Banking</b>	<b>14.0</b>	<b>14.3</b>	<b>15.5</b>	<b>19.2</b>	<b>17.2</b>	<b>(1.9)</b>	<b>(10%)</b>	<b>3.2</b>	<b>23%</b>
<b>Consumer Banking</b>	<b>7.9</b>	<b>8.0</b>	<b>8.2</b>	<b>8.7</b>	<b>9.1</b>	<b>0.3</b>	<b>4%</b>	<b>1.2</b>	<b>16%</b>
Other financial liabilities	0.1	1.0	1.0	0.3	0.1	(0.2)	(62%)	(0.0)	(3%)
Other liabilities	1.5	2.0	1.3	0.9	1.4	0.5	61%	(0.1)	(8%)
<b>Total liabilities</b>	<b>39.6</b>	<b>45.1</b>	<b>43.1</b>	<b>42.7</b>	<b>44.5</b>	<b>1.8</b>	<b>4%</b>	<b>4.9</b>	<b>12%</b>
<b>Equity</b>	<b>7.6</b>	<b>6.6</b>	<b>6.7</b>	<b>6.9</b>	<b>7.1</b>	<b>0.2</b>	<b>3%</b>	<b>(0.6)</b>	<b>(7%)</b>
<b>Total liabilities &amp; equity</b>	<b>47.2</b>	<b>51.7</b>	<b>49.8</b>	<b>49.5</b>	<b>51.5</b>	<b>2.0</b>	<b>4%</b>	<b>4.3</b>	<b>9%</b>
<b>Loans / Deposits ratio</b>	<b>72%</b>	<b>74%</b>	<b>74%</b>	<b>61%</b>	<b>64%</b>				
<b>Capital Adequacy Ratio</b>	<b>17.7%</b>	<b>16.6%</b>	<b>16.2%</b>	<b>17.1%</b>	<b>17.5%</b>				
<b>NPL*</b>	<b>4.7%</b>	<b>4.7%</b>	<b>3.9%</b>	<b>3.2%</b>	<b>3.4%</b>				

\*as reported, incl. reverse repo