

Consolidated financial results for 3Q 2017

November 14th, 2017

www.citihandlowy.pl
Bank Handlowy w Warszawie S.A.

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

3Q 2017 Summary

Positive trends continued:

- Build-up of client assets in Retail Banking (+5% YoY) and Institutional Banking (+8% YoY);
- Growth of credit card transactions number (+7% YoY) and higher sale of investment products (+ 64% YoY);
- Increasing share of remote channels in banking products and services distribution model (+132% YoY – cash loans).
- Higher FX volumes in Institutional Banking segment (+4% QoQ);
- Revenue growth continued (+4% YoY) while cost discipline maintained (-3% YoY);
- Despite regulatory expenses growth, profitability remained above banking sector level: ROTE 10.0% vs. 7.1% in banking sector and ROA 112 bps vs. 75 bps in banking sector.

Focus on key initiatives:

- Strengthening of Citi Handlowy brand awareness through consistent investment in technology and advertisement;
- Utilization of Citi global knowledge and network in order to meet new needs of Corporate Clients.

Capital position enabling execution of volumes growth strategy:

- High capital buffer above regulatory capital adequacy level.

Citi Handlowy financial results – comparable data

(PLN MM)

	3Q17	2Q17	△ QoQ	3Q16	△ YoY	YTD17	△ YoY
Net interest income	273	264	4%	247	11%	792	6%
Net fee and provision income	146	155	(6%)	145	1%	436	2%
Other income*	111	105	6%	120	(7%)	294	(6%)
Total revenue*	530	524	1%	512	4%	1,522	2%
Expenses	279	290	(4%)	288	(3%)	912	1%
Net impairment losses	22	13	66%	18	22%	65	99%
Bank levy	19	21	(6%)	19	2%	59	18%
Profit before tax*	221	201	10%	187	18%	497	(1%)
Net profit*	172	158	9%	145	18%	372	(6%)
Return on Assets*	1.12%	1.08%		1.10%			
Return on Tangible Equity*	10.0%	9.6%		10.3%			
Total comprehensive income*	223	210	6%	150	49%	508	29%
Assets	44,228	44,592	(1%)	41,976	5%	44,228	5%
Net loans	19,899	19,718	1%	18,561	7%	19,899	7%
Deposits	32,324	32,412	(0%)	30,520	6%	32,324	6%

One-off BFG (FRB) charge accounted in Q1'2017 in the amount of PLN 61 MM

* P&L lines excluding Visa transaction impact in the amount of PLN 93 MM gross and PLN 75 MM net in Q2'16

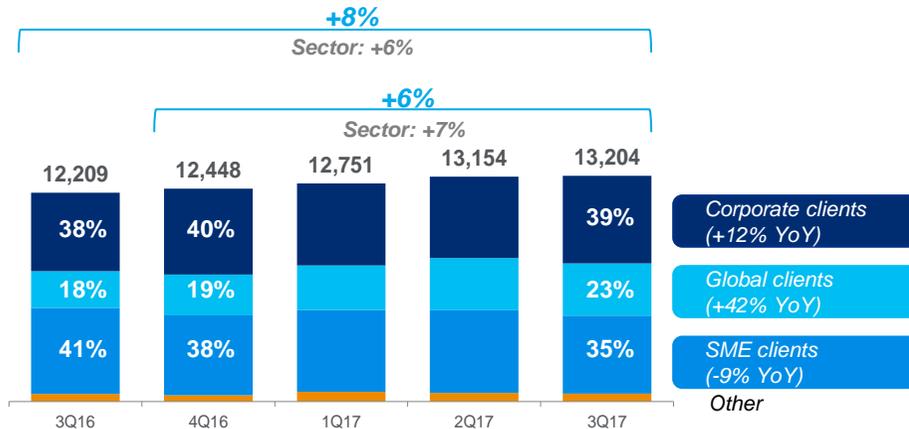
ROA = 4 consecutive quarters net income sum / 4 consecutive quarters average assets volume

ROTE = 4 consecutive quarters net income sum / 4 consecutive quarters equity volume decreased by net income and goodwill

Client volumes

Institutional clients loans – non banking sector

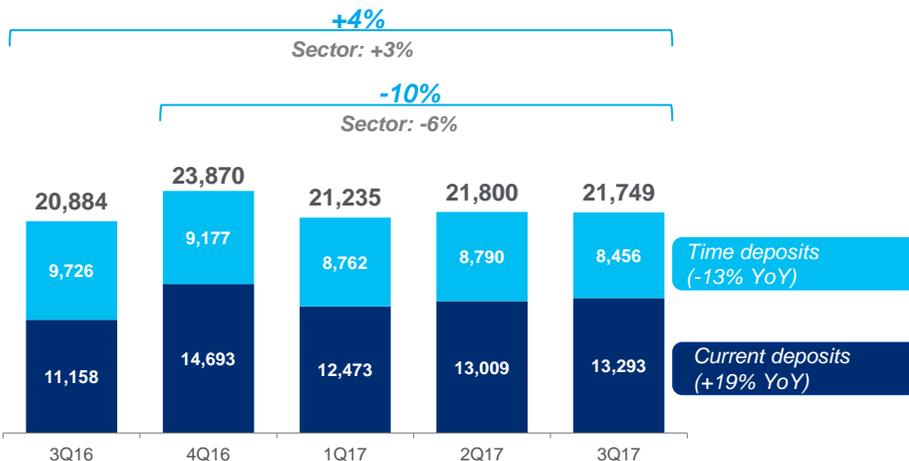
(excl. reverse repo)



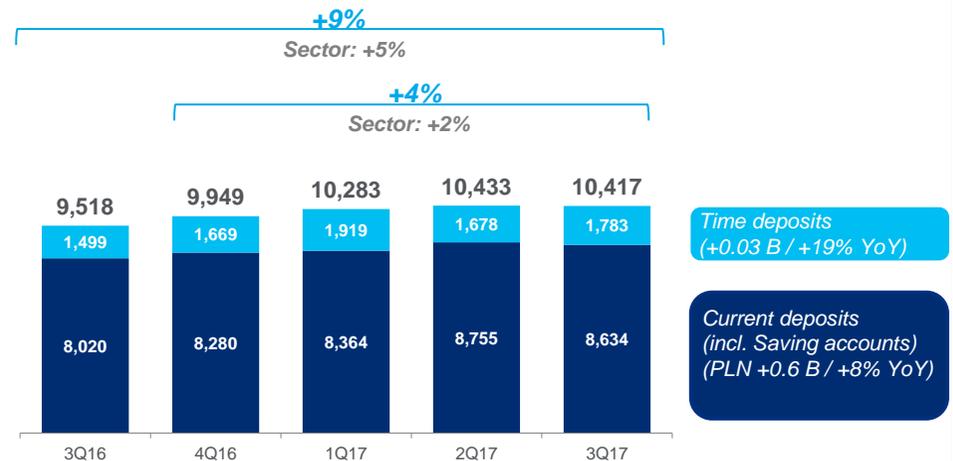
Individual clients loans



Institutional clients deposits – non banking sector

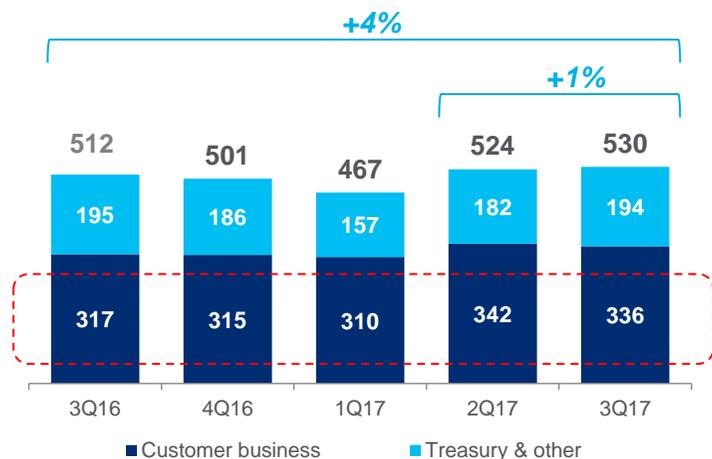


Individual clients deposits



Revenue and net income

Revenue (PLN MM)



- Customer business revenue increase by **+6% YoY** and decrease by **-2% QoQ** as a result of one-off brokerage transactions in Q2'17;
- Net interest income in institutional clients segment was the main engine of core revenue growth
- Treasury income remained **stable YoY** and **+7% QoQ** under conservative risk management policy.

Net income (PLN MM)



3Q 2017 Key financial ratios

	Bank ¹⁾	Sector
ROA ²⁾	112 bps	75 bps
ROTE ³⁾	10.0%	7.1%
Tier 1	17.3%	17.0% ⁴⁾
NPL	2.9%	6.0%

¹⁾ Ratios calculated on basis of consolidated results;

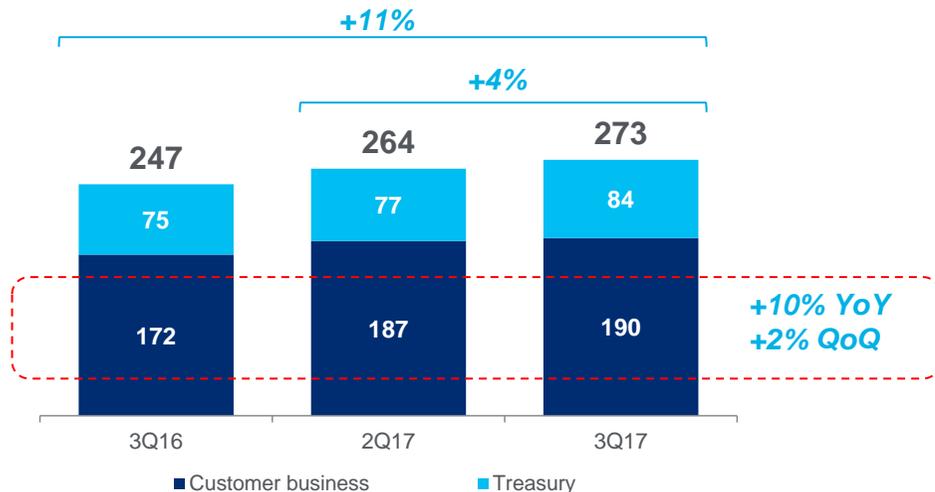
²⁾ ROA = 4 consecutive quarters net income sum / 4 consecutive quarters average assets volume

³⁾ ROTE = 4 consecutive quarters net income sum / 4 consecutive quarters equity volume decreased by goodwill

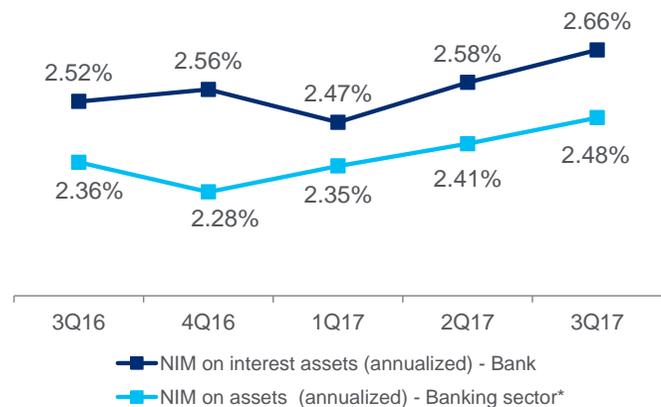
⁴⁾ On the basis of 2017 2Q data

Revenue split

Net interest income (PLN MM)

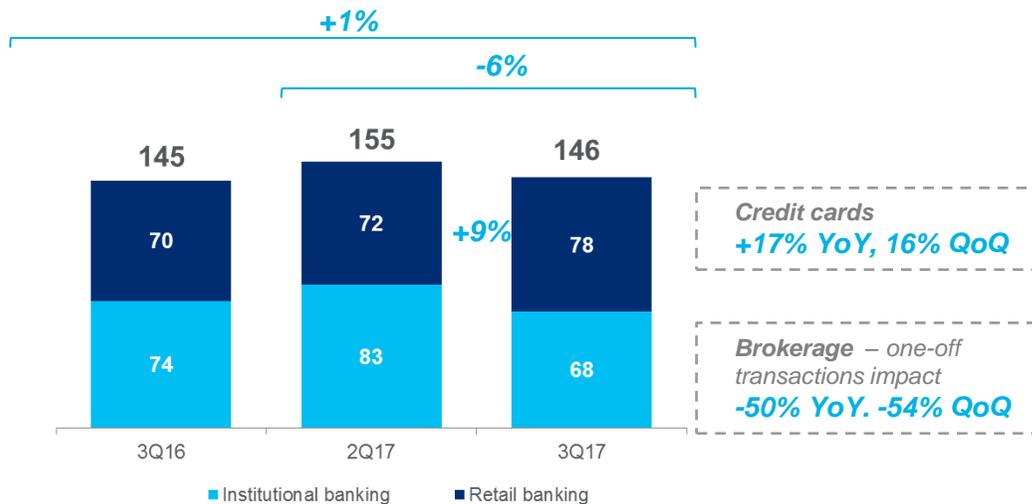


Net interest margin – Bank vs. sector

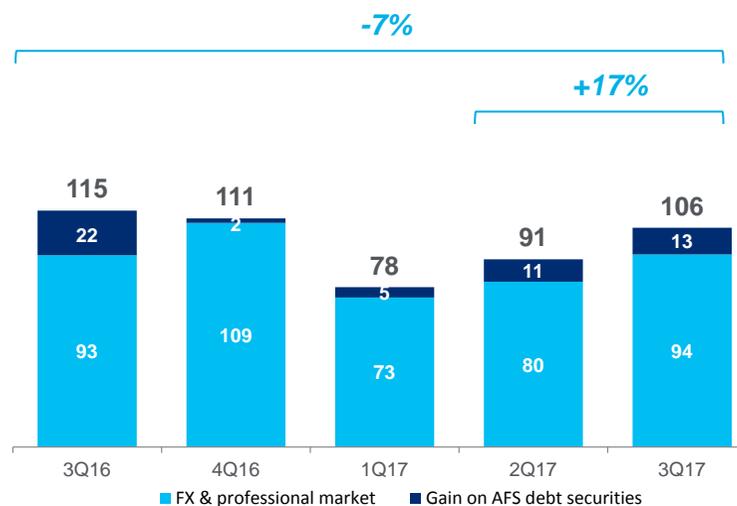


* On the basis of NBP data

Net fee & commission income (PLN MM)

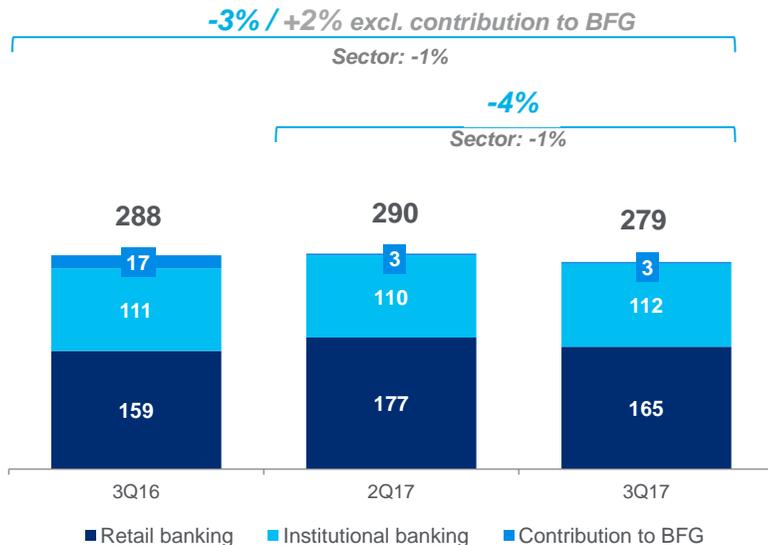


Treasury result (PLN MM)

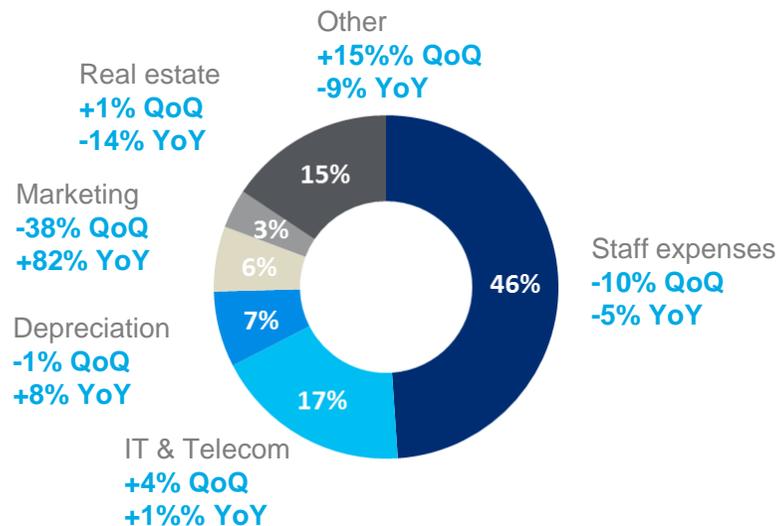


Operating expenses and cost of risk

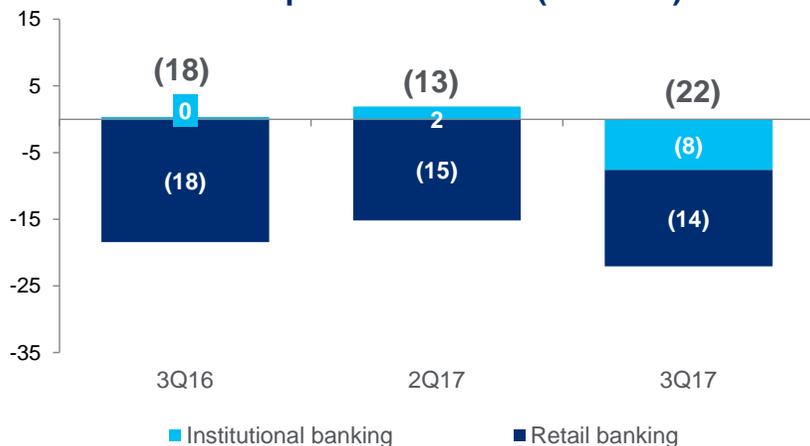
Operating expenses and depreciation (PLN MM)



Operating expenses and depreciation (PLN MM) by type



Net impairment losses (PLN MM)



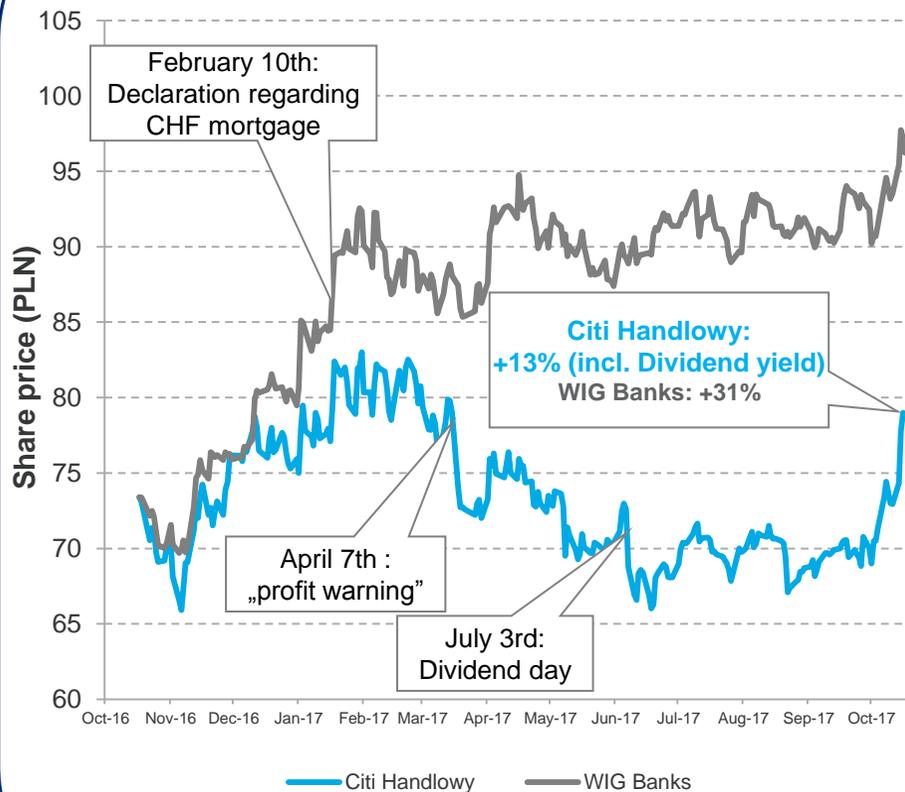
Cost of Risk (bps)



- Cost of risk increased within institutional banking segment as a result of predominantly one-off events.

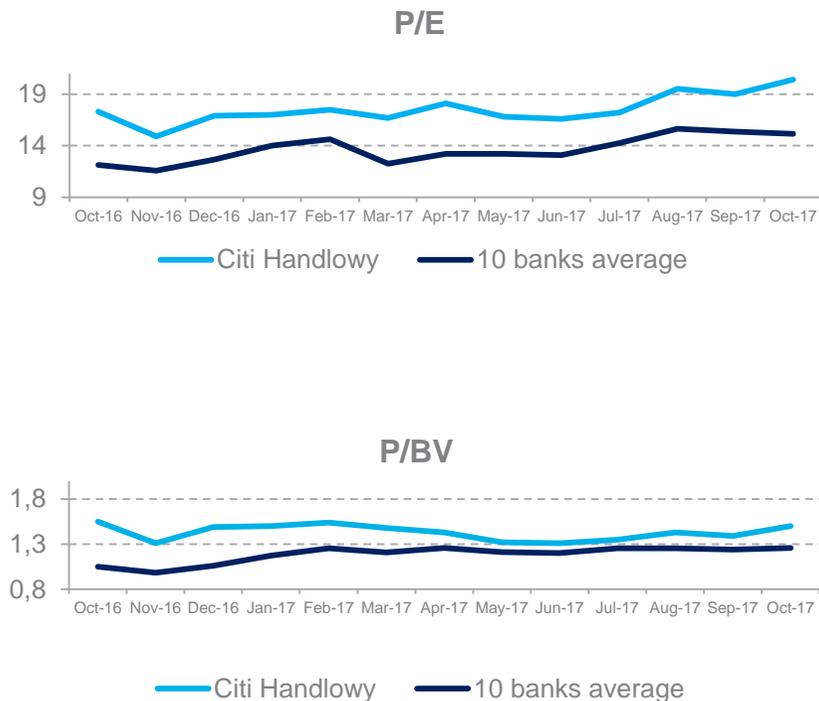
Change in Bank's share price

Citi Handlowy share price vs. WIG Banks index in 12M horizon



Note: Last quotation November 9th, 2017 (Citi Handlowy: PLN 78.70)

P/E and P/BV ratios in 12M horizon



The logo for Citi Handlowy features the word "citi" in a lowercase, sans-serif font with a red arc above the letters "i" and "t". This is followed by the word "handlowy" in a larger, lowercase, sans-serif font. A registered trademark symbol (®) is positioned at the top right of the word "handlowy".

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Appendix

Profit and loss account - Total Bank

PLN MM	3Q16	4Q16	1Q17	2Q17	3Q17	3Q17 vs. 2Q17		3Q17 vs. 3Q16	
						PLN MM	%	PLN MM	%
Net interest income	247	257	254	264	273	9	8%	26	11%
Net fee and commission income	145	135	134	155	146	(9)	9%	2	1%
Dividend income	1	0	-	9	0	(9)	-	(0)	(51%)
Gains on AFS debt securities	22	2	5	11	13	2	160%	(9)	(40%)
FX and professional market	93	109	73	80	94	94	29%	0	0%
Hedge accounting	0	2	5	(1)	3	3	(37%)	2	524%
Treasury	115	113	82	90	109	109	33%	(6)	(5%)
Net gain on equity investment instruments	2	0	0	3	-	-	(100%)	(2)	(100%)
Net other operating income	2	(4)	(4)	3	1	1	-	(1)	(51%)
Revenue	512	501	467	524	530	530	14%	19	4%
Expenses	(271)	(283)	(326)	(271)	(260)	(260)	(20%)	10	(4%)
Depreciation	(17)	(17)	(17)	(19)	(19)	(19)	12%	(1)	8%
Expenses and depreciation	(288)	(300)	(343)	(290)	(279)	(279)	(19%)	9	(3%)
Operating margin	224	201	124	234	252	252	103%	28	12%
Profit/(loss) on sale of tangible fixed assets	0	0	0	0	11	10	-	11	-
Net impairment losses	(18)	(13)	(29)	(13)	(22)	(9)	(25%)	(4)	22%
Share in profits / (losses) of entities valued at the equity method	0	(0)	0	0	0	(0)	200%	(0)	(14%)
Tax on certain financial institutions	(19)	(19)	(20)	(21)	(19)	1	(2%)	(0)	2%
EBIT	187	169	75	201	221	20	194%	34	18%
Corporate income tax	(42)	(39)	(32)	(43)	(49)	(6)	52%	(7)	17%
Net profit	145	130	43	158	172	14	302%	27	18%
C/I ratio	56%	60%	73%	55%	53%				

Institutional Banking - profit and loss account

PLN MM	3Q16	4Q16	1Q17	2Q17	3Q17	3Q17 vs. 2Q17		3Q17 vs. 3Q16	
						PLN MM	%	PLN MM	%
Net interest income	104	114	112	122	126	4	20%	21	20%
Net fee and commission income	74	68	63	83	68	(16)	(9%)	(6)	(9%)
Dividend income	0	0	-	1	0	(1)	(48%)	(0)	(48%)
Gains on AFS debt securities	22	2	5	11	13	2	(40%)	(9)	(40%)
FX and professional market	86	101	64	73	86	-	0%	0	0%
Hedge accounting	0	2	5	(1)	3	-	524%	2	524%
Treasury	108	105	74	83	102	-	(5%)	(6)	(5%)
Net gain on equity investment instruments	2	0	0	3	-	-	(100%)	(2)	(100%)
Net other operating income	6	1	4	6	5	-	(18%)	(1)	(18%)
Revenue	295	289	254	298	301	-	2%	6	2%
Expenses	(120)	(122)	(165)	(106)	(108)	-	(10%)	12	(10%)
Depreciation	(5)	(5)	(5)	(5)	(5)	-	(5%)	0	(5%)
Expenses and depreciation	(125)	(127)	(170)	(111)	(113)	-	(10%)	13	(10%)
Operating margin	170	162	84	187	188	-	11%	19	11%
Profit/(loss) on sale of tangible fixed assets	0	0	0	0	10	10	-	10	-
Net impairment losses	0	8	(14)	2	(8)	(10)	-	(8)	-
Tax on certain financial institutions	(14)	(14)	(14)	(15)	(14)	1	1%		
Share in profits / (losses) of entities valued at the equity method	0	(0)	0	0	0	(0)	(14%)	(0)	(14%)
EBIT	156	156	56	174	177	3	13%	21	13%
C/I ratio	42%	44%	67%	37%	37%				

Retail Banking - profit and loss account

PLN MM	3Q16	4Q16	1Q17	2Q17	3Q17	3Q17 vs. 2Q17		3Q17 vs. 3Q16	
						PLN MM	%	PLN MM	%
Net interest income	143	142	143	142	148	6	4%	5	3%
Net fee and commission income	70	67	71	72	78	6	9%	8	12%
Dividend income	0	-	-	8	-	(8)	(100%)	(0)	(100%)
FX and professional market	7	8	8	7	7	(0)	(5%)	(0)	(0%)
AFS Non-Treasury (equity instruments)	-	-	-	-	-	-	-	-	-
Net other operating income	(4)	(5)	(8)	(3)	(4)	(0)	14%	(0)	6%
Revenue	217	212	213	226	230	3	2%	13	6%
Expenses	(151)	(161)	(161)	(165)	(153)	12	(7%)	(2)	1%
Depreciation	(12)	(12)	(12)	(14)	(14)	0	(3%)	(2)	14%
Expenses and depreciation	(163)	(173)	(173)	(179)	(166)	12	(7%)	(4)	2%
Operating margin	54	39	41	48	63	16	33%	9	17%
Net impairment losses	(18)	(21)	(16)	(15)	(14)	1	(5%)	4	(22%)
Tax on certain financial institutions	(5)	(5)	(5)	(5)	(5)	(0)	0%	(0)	6%
EBIT	31	12	20	27	43	17	61%	13	42%
CI ratio	75%	82%	81%	79%	72%				

Balance sheet

PLN B	End of period					3Q17 vs. 4Q16		3Q17 vs. 3Q16	
	3Q16	4Q16	1Q17	2Q17	3Q17	PLN B	%	PLN B	%
Cash and balances with the Central Bank	0.9	0.7	2.2	0.5	0.6	(0.1)	(17%)	(0.4)	(39%)
Amounts due from banks	0.6	0.6	0.8	0.7	0.6	0.0	3%	(0.0)	(5%)
Financial assets held-for-trading	2.7	3.8	2.0	1.9	2.3	(1.5)	(39%)	(0.4)	(15%)
Debt securities available-for-sale	16.7	19.1	17.3	19.5	18.5	(0.6)	(3%)	1.8	11%
Customer loans	18.6	18.9	19.2	19.7	19.9	1.0	6%	1.3	7%
Financial sector entities	1.7	1.7	2.0	1.8	1.8	0.1	8%	0.1	4%
including reverse repo receivables	-	-	0.1	-	-	0.0	-	0.0	-
Non-financial sector entities	16.8	17.2	17.2	17.9	18.1	0.9	5%	1.3	7%
Institutional Banking	10.5	10.8	10.8	11.3	11.4	0.6	6%	0.9	9%
Consumer Banking	6.4	6.4	6.4	6.6	6.7	0.3	4%	0.3	5%
Unsecured receivables	5.0	5.1	5.1	5.2	5.3	0.2	4%	0.2	5%
Credit cards	2.3	2.3	2.3	2.4	2.5	0.2	7%	0.2	10%
Cash loans	2.7	2.7	2.7	2.7	2.7	0.0	1%	0.0	1%
Other unsecured receivables	0.1	0.1	0.1	0.1	0.0	(0.0)	(15%)	(0.0)	(21%)
Mortgage	1.3	1.3	1.3	1.4	1.4	0.1	7%	0.1	8%
Other assets	2.5	2.2	3.2	2.3	2.4	0.2	7%	(0.0)	(2%)
Total assets	42.0	45.2	44.8	44.6	44.2	(1.0)	(2%)	2.3	5%
Liabilities due to banks	2.4	2.3	3.0	2.6	2.6	0.3	12%	0.2	9%
Financial liabilities held-for-trading	1.2	1.3	1.5	1.3	1.3	(0.0)	(1%)	0.1	7%
Financial liabilities due to customers	30.5	33.9	31.7	32.4	32.3	(1.6)	(5%)	1.8	6%
Financial sector entities - deposits	4.8	4.7	4.3	5.0	4.4	(0.3)	(6%)	(0.4)	(8%)
Non-financial sector entities - deposits	25.6	29.1	27.2	27.2	27.7	(1.4)	(5%)	2.2	8%
Institutional Banking	16.1	19.2	16.9	16.8	-	(19.2)	(100%)	(16.1)	(100%)
Consumer Banking	9.5	9.9	10.3	10.4	-	(9.9)	(100%)	(9.5)	(100%)
Other financial liabilities	0.1	0.1	0.1	0.1	0.2	0.1	114%	0.1	74%
Other liabilities	1.2	0.9	1.7	38.1	37.5	36.7	4230%	36.4	3130%
Total liabilities	35.3	38.4	37.9	38.1	37.5	(0.9)	(2%)	2.3	6%
Equity	6.7	6.8	6.9	6.5	6.7	(0.1)	(1%)	(0.0)	(0%)
Total liabilities & equity	42.0	45.2	44.8	44.6	44.2	(1.0)	(2%)	2.3	5%
Loans / Deposits ratio	66%	59%	63%	66%	65%				
Capital Adequacy Ratio	17.1%	17.4%	17.3%	17.7%	17.3%				
NPL*	3.1%	2.9%	2.9%	2.9%	2.9%				

*as reported, incl. reverse repo