

Bank Handlowy w Warszawie S.A.

Preliminary consolidated financial results for 2017

February 14th, 2018

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.

2017 Summary

Increasing profit on customer business

- Increasing **revenues on customer business +8% YoY**;
- Loan volume growth in **retail clients segment +6% YoY** and **institutional clients +5% YoY**

Growth in strategic areas

- **Wealth Management** – investment products sale **+44% YoY**;
- **Remote channels** share growth in cash products sale: **cash loans sale +10 p.p. YoY** and **Credit cards sale +12 p.p. YoY**;
- **Remote channels** play a dominant role in **credit cards sale 41%**;
- Credit cards transactions volume : **+3% YoY**;
- **Global clients** – assets **+37% YoY**;
- Average balance of institutional clients **operating accounts +16% YoY**

Financial results

- **Net profit** amount to **PLN 536 MM**, increase by **+2%** (excl. VISA);
- **Core activity revenues** (net interest income and net fee and commission income sum) **+4% YoY**;
- Continuation of **cost discipline** according to declarations, despite investment in technology and marketing;
- **High profitability** above banking sector level: **ROTE 10.6%** and **ROA 121 bps.**

Continuation of building of shareholders value

- Fulfillment of general requirements for **dividend payment** from 2017 net profit as of December 31st, 2017

Citi Handlowy financial results – comparable data

(PLN MM)

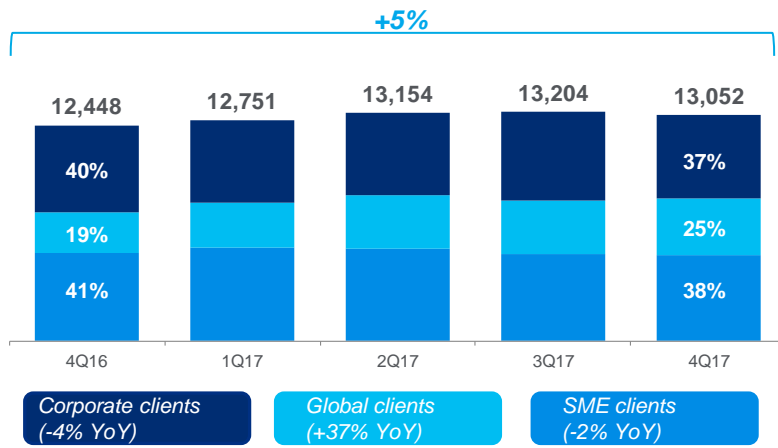
	4Q17	3Q17	Δ QoQ	4Q16	Δ YoY	2017	Δ YoY
Net interest income	290	273	6%	257	13%	1,082	8%
Net fee and commission income	145	146	(1%)	135	7%	581	3%
Other income*	111	111	0%	110	2%	406	(4%)
Total revenue*	546	530	3%	501	9%	2,068	4%
Expenses	280	279	0%	300	(7%)	1,192	(1%)
Net impairment losses	38	22	74%	13	191%	103	125%
Bank levy	18	19	(5%)	19	(4%)	78	12%
Profit before tax*	210	221	(5%)	169	24%	707	5%
Net profit*	163	172	(5%)	130	25%	536	2%
Return on Assets*	1.21%	1.12%		1.10%			
Return on Tangible Equity*	10.6%	10.0%		10.2%			
Total comprehensive income*	233	223	4%	81	186%	741	56%
Assets	43,038	44,228	(3%)	45,210	(5%)	43,038	(5%)
Net loans	19,849	19,899	(0%)	18,860	5%	19,849	5%
Deposits	32,137	32,324	(1%)	33,937	(5%)	32,137	(5%)

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

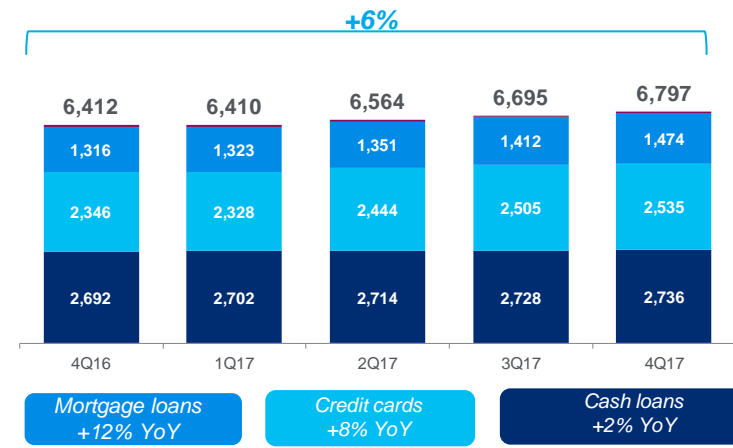
Client volumes

Institutional clients loans – non banking sector

(excl. reverse repo)

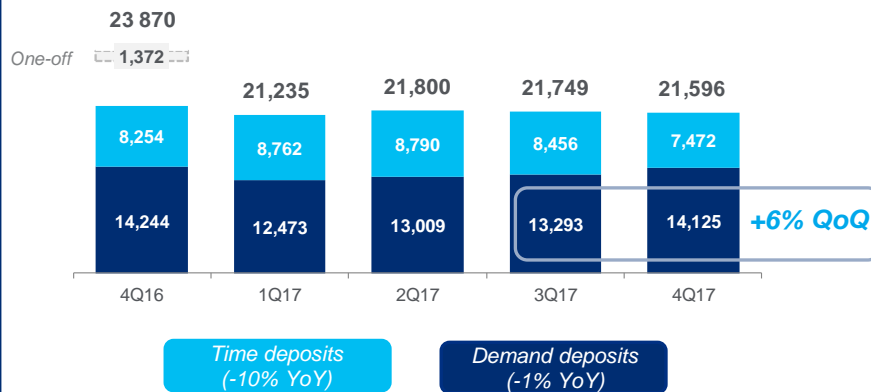


Individual clients loans



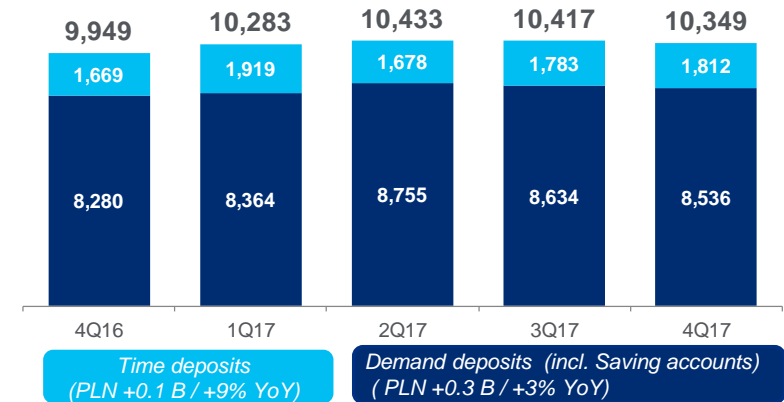
Institutional clients deposits – non banking sector

-4% (excl. one-off)



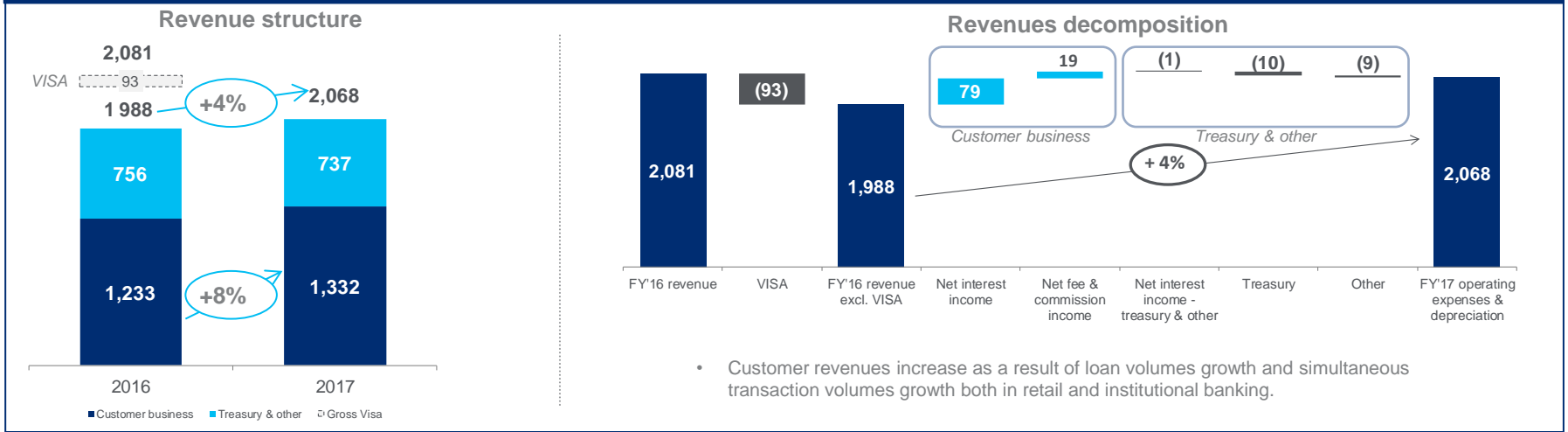
Individual clients deposits

+4%



Revenue and net income

Revenue (PLN MM)



Net income (PLN MM)



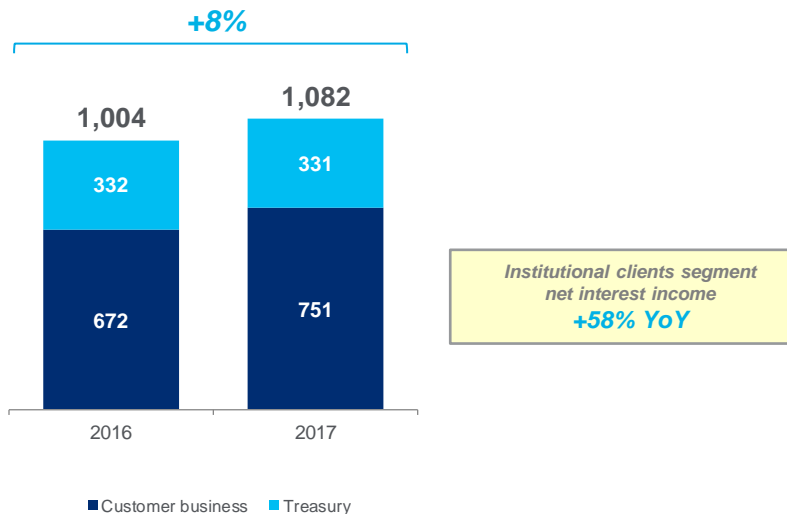
2017 Key financial ratios

	Bank ¹⁾	Sector ²⁾
ROA ³⁾	121 bps	78 bps
ROTE ⁴⁾	10.6%	7.3%
Tier 1	17.9%	17.2% ⁵⁾
NPL	3.2%	6.0%

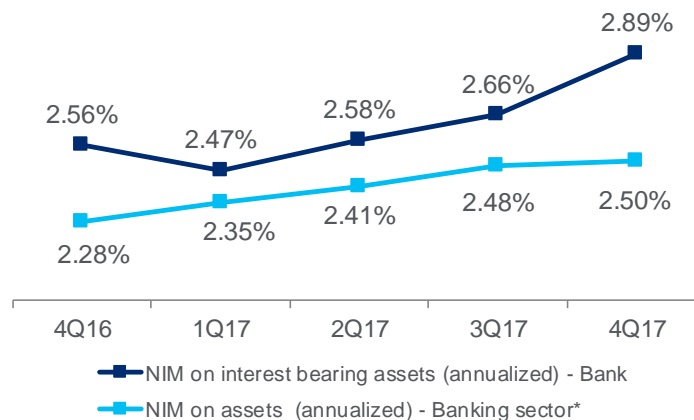
1) Ratios calculated on the basis of consolidated results;
 2) On the basis of October and November data;
 3) ROA = 4 consecutive quarters net income sum / 4 consecutive quarters average assets volume;
 4) ROTE = 4 consecutive quarters net income sum / 4 consecutive quarters equity volume decreased by goodwill;
 5) As of 3Q 2017

Revenue split

Net interest income (PLN MM)

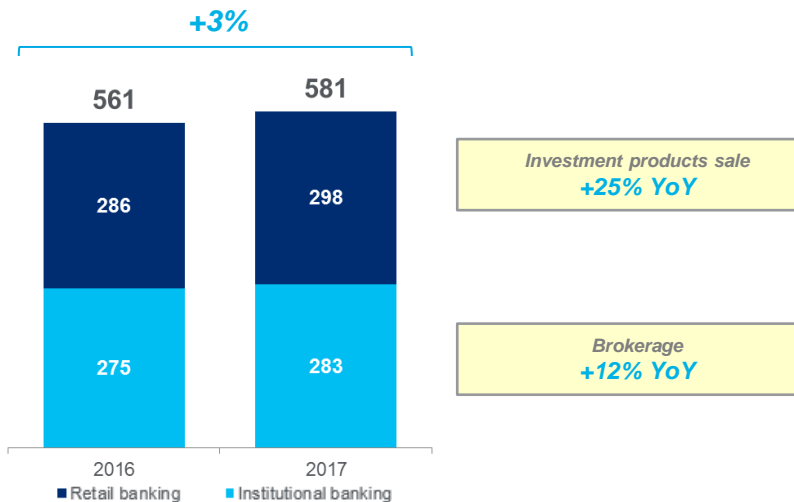


Net interest margin – Bank vs. sector

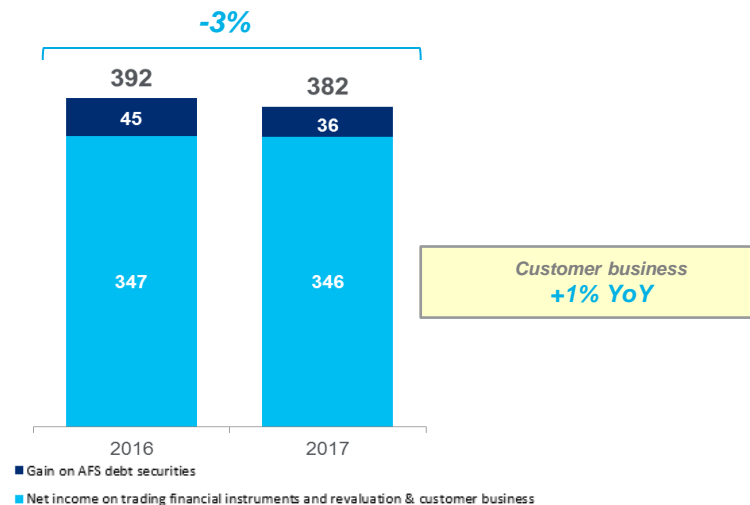


* On the basis of NBP data, 4Q17 based on October and November data

Net fee & commission income (PLN MM)

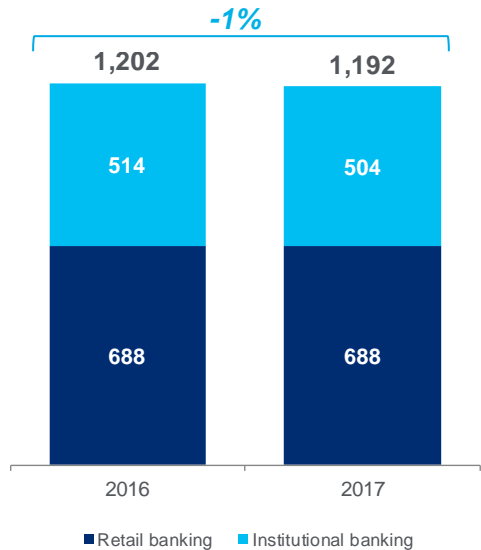


Treasury result (PLN MM)

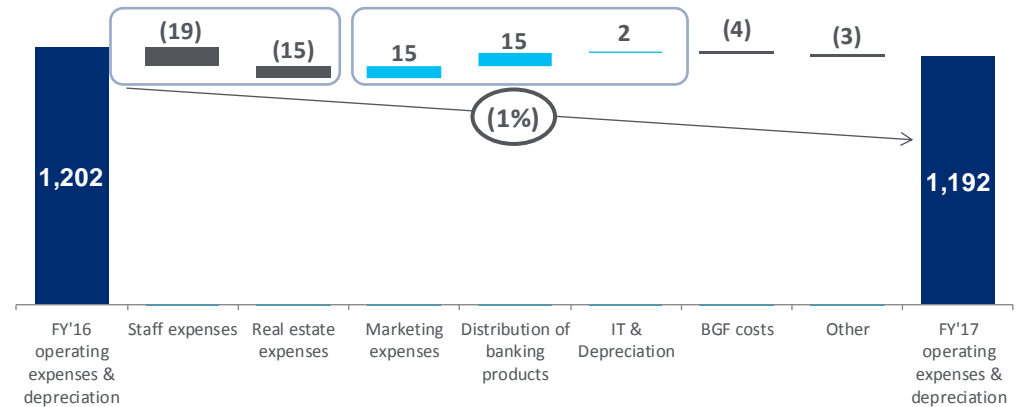


Operating expenses and cost of risk

Operating expenses and depreciation (PLN MM)

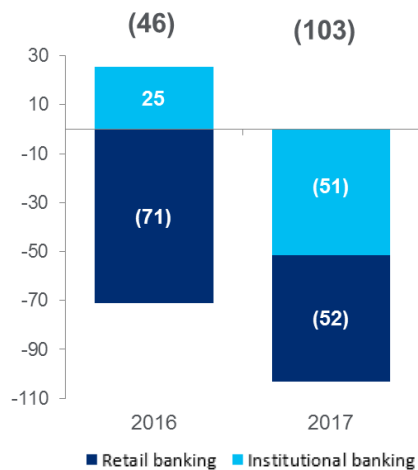


Operating expenses decomposition

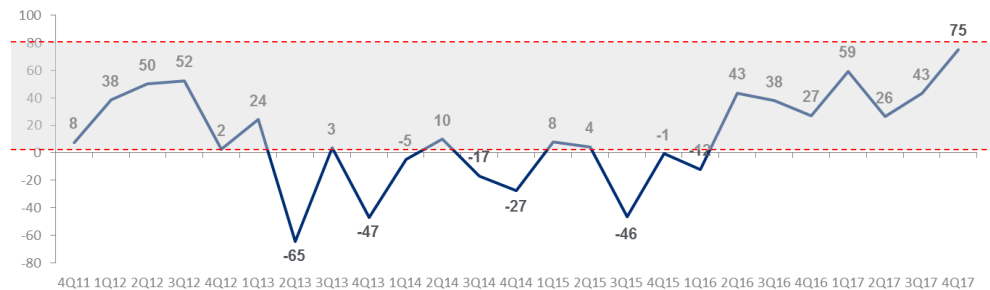


- Savings on retail banking distribution model transformation were invested in marketing, sales force strengthening and technology

Net impairment losses (PLN MM)



Cost of Risk (bps)



- Despite growth of cost of risk in institutional banking segment, loan portfolio quality is better than in banking sector.

Market environment in 2018

2018 perspectives

The highest global economy growth since 2010, fueled by manufacturing and investments.

Key macro indicators*		2016	2017F	2018F
Interest rates	Poland	1.5	1.5	1.5
	Euro zone	0.01	0.00	0.00
	USA	0.51	1.13	1.94
GDP % YoY	Poland	2.9	4.6	4.0
	Euro zone	1.7	2.5	2.5
	USA	1.5	2.3	2.7
Investments % YoY	Poland	-1.9	5.4	7.0
	Euro zone	4.3	4.0	4.4
	USA	-0.6	4.4	4.8
Consumption % YoY	Poland	3.4	4.8	4.0
	Euro zone	2.0	1.7	1.9
	USA	2.7	2.7	2.8

Polish economy in 2018

- MPC most probably will remain interest rate unchanged on 1.5% level, hikes expected in 2019 by 50 - 75 bps;
- Polish economy growth will be supported by domestic demand and good economic situation in other EU countries;
- In 2018 the role of investments in supporting GDP growth will increase, meanwhile consumption dynamics will slightly decrease;
- High level of production capacity utilization, low interest rates and strong global economic growth will enhance investment activity;

*Source: Citigroup economists forecasts

2018 main trends

World

Economic growth

Inflation /
Monetary policy

Tax reform in USA

Digitization /
Blockchain

Poland

Citi Handlowy

Interest rates

- Financing structure based on high share of **operating accounts**
- Focus on **high margin client relations**
- **Safety and strong capital position** is a priority in treasury business

Investment growth

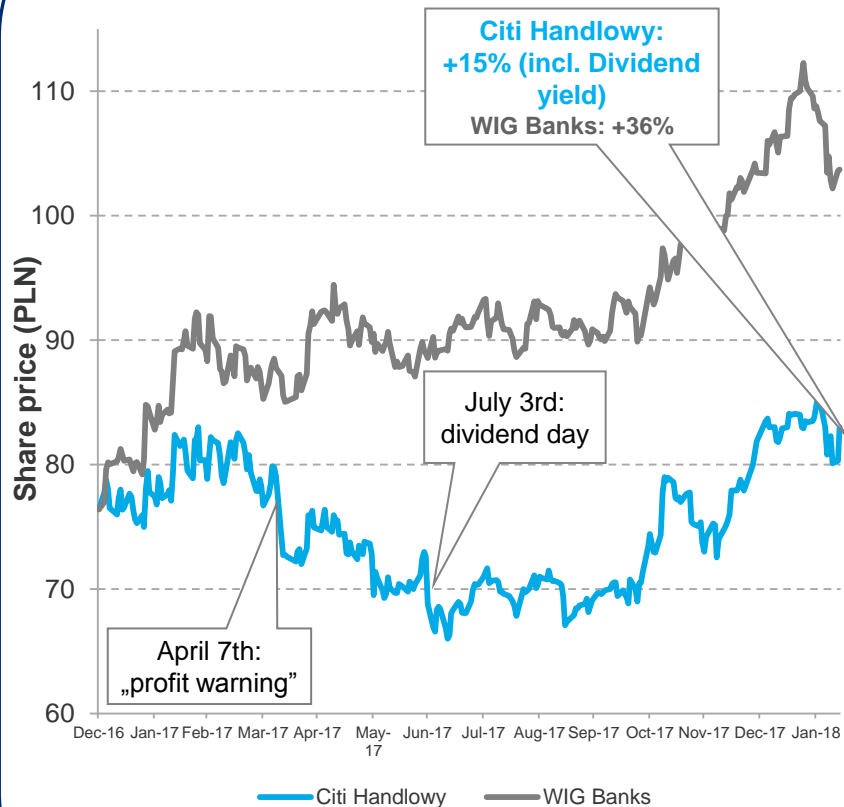
- Focus on enterprises from **eCommerce market**
- Comprehensive service for **global companies** active in Poland
- Utilization of **Private Equity funds** interest in Polish market

Digitization

- Utilization of **digital tools in Wealth Management business**
- **Credit cards and cash loans** sales increase through **remote channels**
- Automation of **online shops** receivables management

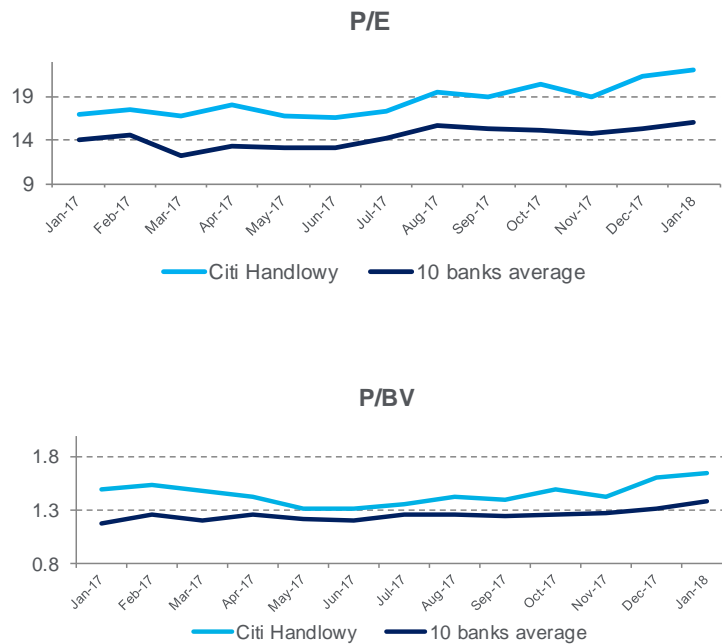
Change in Bank's share price

Citi Handlowy share price vs. WIG Banks index relative performance



Note: Last quotation February 13th, 2018 (Citi Handlowy: PLN 83.00)

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". To the right of "citi" is the word "handlowy" in a larger, lowercase, sans-serif font. A registered trademark symbol (®) is located at the top right of the word "handlowy".

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Appendix

Citi Handlowy financial results – reported data

(PLN MM)

	4Q17	3Q17	Δ QoQ	4Q16	Δ YoY	2017	Δ YoY
Net interest income	290	273	6%	257	13%	1,082	8%
Net fee and commission income	145	146	(1%)	135	7%	581	3%
Other income	111	111	0%	110	2%	406	(21%)
Total revenue	546	530	3%	501	9%	2,068	(1%)
Expenses	280	279	0%	300	(7%)	1,192	(1%)
Net impairment losses	38	22	74%	13	191%	103	125%
Bank levy	18	19	(5%)	19	(4%)	78	12%
Profit before tax	210	221	(5%)	169	24%	707	(7%)
Net profit	163	172	(5%)	130	25%	536	(11%)
Return on Assets	1.21%	1.12%		1.26%			
Return on Tangible Equity	10.6%	10.0%		12.0%			
Total comprehensive income	233	223	4%	81	186%	741	34%
Assets	43,038	44,228	(3%)	45,210	(5%)	43,038	(5%)
Net loans	19,849	19,899	(0%)	18,860	5%	19,849	5%
Deposits	32,137	32,324	(1%)	33,937	(5%)	32,137	(5%)

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

Profit and loss account - Total Bank

PLN MM	4Q16	1Q17	2Q17	3Q17	4Q17	2016	2017	2017 vs. 2016	
								PLN MM	%
Net interest income	257	254	264	273	290	1,004	1,082	79	8%
Net fee and commission income	135	134	155	146	145	561	581	19	3%
Dividend income	0	-	9	0	0	8	9	1	17%
Gains on AFS debt securities	2	5	11	13	7	45	36	(9)	(20%)
FX and professional market	109	73	80	94	100	347	346	(1)	(0%)
Hedge accounting	2	5	(1)	3	4	10	10	1	7%
Treasury	113	82	90	109	111	401	392	(9)	(2%)
Net gain on equity investment instruments	0	0	3	-	-	96	3	(93)	-
Net other operating income	(4)	(4)	3	1	1	11	1	(11)	(95%)
Revenue	501	467	524	530	546	2,081	2,068	(13)	(1%)
Expenses	(283)	(326)	(271)	(260)	(261)	(1,132)	(1,119)	14	(1%)
Depreciation	(17)	(17)	(19)	(19)	(19)	(70)	(73)	(3)	5%
Expenses and depreciation	(300)	(343)	(290)	(279)	(280)	(1,202)	(1,192)	10	(1%)
Operating margin	201	124	234	252	266	879	877	(3)	(0%)
Profit/(loss) on sale of tangible fixed assets	0	0	0	11	0	0	11	11	9322%
Net impairment losses	(13)	(29)	(13)	(22)	(38)	(46)	(103)	(57)	125%
Share in profits / (losses) of entities valued at the equity method	(0)	0	0	0	(0)	0	0	0	384%
Tax on certain financial institutions	(19)	(20)	(21)	(19)	(18)	(69)	(78)	(8)	12%
EBIT	169	75	201	221	210	764	707	(57)	(7%)
Corporate income tax	(39)	(32)	(43)	(49)	(47)	(163)	(172)	(9)	5%
Net profit	130	43	158	172	163	602	536	(66)	(11%)
C/I ratio	60%	73%	55%	53%	51%	58%	58%		

Institutional Banking - profit and loss account

PLN MM	4Q16	1Q17	2Q17	3Q17	4Q17	2016	2017	2017 vs. 2016	
								PLN MM	%
Net interest income	114	112	122	126	143	440	502	62	14%
Net fee and commission income	68	63	83	68	68	275	283	7	3%
Dividend income	0	-	1	0	0	2	2	0	6%
Gains on AFS debt securities	2	5	11	13	7	45	36	(9)	(20%)
FX and professional market	101	64	73	86	93	316	316	1	0%
Hedge accounting	2	5	(1)	3	4	10	10	1	7%
Treasury	105	74	83	102	104	370	363	(7)	(2%)
Net gain on equity investment instruments	0	0	3	-	-	29	3	(26)	-
Net other operating income	1	4	6	5	4	21	19	(2)	(10%)
Revenue	289	254	298	301	318	1,137	1,171	34	3%
Expenses	(122)	(165)	(106)	(108)	(105)	(493)	(484)	9	(2%)
Depreciation	(5)	(5)	(5)	(5)	(5)	(21)	(20)	1	(7%)
Expenses and depreciation	(127)	(170)	(111)	(113)	(110)	(514)	(504)	10	(2%)
Operating margin	162	84	187	188	209	623	667	44	7%
Profit/(loss) on sale of tangible fixed assets	0	0	0	10	0	0	11	11	9241%
Net impairment losses	8	(14)	2	(8)	(32)	25	(51)	(77)	-
Tax on certain financial institutions	(14)	(14)	(15)	(14)	(13)	(50)	(56)	(6)	12%
Share in profits / (losses) of entities valued at the equity method	(0)	0	0	0	(0)	0	0	0	384%
EBIT	156	56	174	177	164	599	571	(28)	(5%)
C/I ratio	44%	67%	37%	37%	35%	45%	43%		

Retail Banking - profit and loss account

PLN MM	4Q16	1Q17	2Q17	3Q17	4Q17	2016	2017	2017 vs. 2016	
								PLN MM	%
Net interest income	142	143	142	148	148	564	580	16	3%
Net fee and commission income	67	71	72	78	77	286	298	12	4%
Dividend income	-	-	8	-	0	7	8	1	20%
FX and professional market	8	8	7	7	7	32	30	(2)	(6%)
AFS Non-Treasury (equity instruments)	-	-	-	-	-	-	-	-	-
Net other operating income	(5)	(8)	(3)	(4)	(3)	(10)	(19)	(8)	83%
Revenue	212	213	226	230	228	944	897	(47)	(5%)
Expenses	(161)	(161)	(165)	(153)	(156)	(639)	(634)	5	(1%)
Depreciation	(12)	(12)	(14)	(14)	(14)	(49)	(54)	(5)	10%
Expenses and depreciation	(173)	(173)	(179)	(166)	(170)	(688)	(688)	0	(0%)
Operating margin	39	41	48	63	58	256	209	(47)	(18%)
Net impairment losses	(21)	(16)	(15)	(14)	(6)	(71)	(52)	19	(27%)
Tax on certain financial institutions	(5)	(5)	(5)	(5)	(5)	(19)	(22)	(2)	13%
EBIT	12	20	27	43	46	166	136	(30)	(18%)
C/I ratio	82%	81%	79%	72%	75%	73%	77%		

Balance sheet

PLN B	End of period					4Q17 vs. 3Q17		4Q17 vs. 4Q16	
	4Q16	1Q17	2Q17	3Q17	4Q17	PLN B	%	PLN B	%
Cash and balances with the Central Bank	0.7	2.2	0.5	0.6	0.5	(0.1)	(16%)	(0.2)	(31%)
Amounts due from banks	0.6	0.8	0.7	0.6	0.8	0.2	38%	0.2	43%
Financial assets held-for-trading	3.8	2.0	1.9	2.3	2.2	(0.1)	(6%)	(1.6)	(42%)
Debt securities available-for-sale	19.1	17.3	19.5	18.5	17.4	(1.0)	(6%)	(1.6)	(9%)
Customer loans	18.9	19.2	19.7	19.9	19.8	(0.0)	(0%)	1.0	5%
Financial sector entities	1.7	2.0	1.8	1.8	2.0	0.2	9%	0.3	18%
including reverse repo receivables	-	0.1	-	-	-	0.0	-	0.0	-
Non-financial sector entities	17.2	17.2	17.9	18.1	17.9	(0.2)	(1%)	0.7	4%
Institutional Banking	10.8	10.8	11.3	11.4	11.1	(0.3)	(3%)	0.3	3%
Consumer Banking	6.4	6.4	6.6	6.7	6.8	0.1	2%	0.4	6%
Unsecured receivables	5.1	5.1	5.2	5.3	5.3	0.0	1%	0.2	4%
Credit cards	2.3	2.3	2.4	2.5	2.5	0.0	1%	0.2	8%
Cash loans	2.7	2.7	2.7	2.7	2.7	0.0	0%	0.0	2%
Other unsecured receivables	0.1	0.1	0.1	0.0	0.1	0.0	6%	(0.0)	(10%)
Mortgage	1.3	1.3	1.4	1.4	1.5	0.1	4%	0.2	12%
Other assets	2.2	3.2	38.1	2.4	2.3	(0.1)	(6%)	0.0	1%
Total assets	45.2	44.8	38.1	44.2	43.0	(1.2)	(3%)	(2.2)	(5%)
Liabilities due to banks	2.3	3.0	-	2.6	1.6	(1.0)	(39%)	(0.7)	(32%)
Financial liabilities held-for-trading	1.3	1.5	6.5	1.3	1.4	0.1	5%	0.0	4%
Financial liabilities due to customers	33.9	31.7	44.6	32.3	32.1	(0.2)	(1%)	(1.8)	(5%)
Financial sector entities - deposits	4.7	4.3	44.6	4.4	4.9	0.4	9%	0.2	3%
Non-financial sector entities - deposits	29.1	27.2	-	27.7	27.1	(0.6)	(2%)	(2.0)	(7%)
Institutional Banking	19.2	16.9	0.7	17.3	16.7	(0.6)	(3%)	(2.4)	(13%)
Consumer Banking	9.9	10.3	0.2	10.4	10.3	(0.1)	(1%)	0.4	4%
Other financial liabilities	0.1	0.1	0.0	0.2	0.2	(0.0)	(14%)	0.1	85%
Other liabilities	0.9	1.7	38.1	37.5	36.1	(1.4)	(4%)	35.2	4066%
Total liabilities	38.4	37.9	38.1	37.5	36.1	(1.4)	(4%)	(2.3)	(6%)
Equity	6.8	6.9	6.5	6.7	6.9	0.2	3%	0.1	2%
Total liabilities & equity	45.2	44.8	44.6	44.2	43.0	(1.2)	(3%)	(2.2)	(5%)
Loans / Deposits ratio	59%	63%	66%	65%	66%				
Capital Adequacy Ratio	17.4%	17.3%	17.7%	17.3%	17.9%				
NPL*	2.9%	2.9%	2.9%	2.9%	3.2%				

*as reported, incl. reverse repo