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of progress


Bank Handlowy w Warszawie S.A. Consolidated financial results for 4Q 2019

March 26, 2020

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Bank Handlowy w Warszawie S.A.

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Fourth Quarter Financial Results - Summary

 Solid financial results

- **Net income** at the level of **PLN 173.8 MM (+53% QoQ and +14% YoY)**;
- **The highest net profit in the last 5 quarters**;

 Key areas of growth

- High **revenue growth dynamics** maintained **(+7% YoY)**;
- Another quarter of **loan volume growth (+8% YoY)**;
- **Deposit portfolio growth (+4% YoY)** reflecting increase in clients' transaction volume.

 Costs of risk under control

- **Cost of risk** at the level reflecting high quality of Bank's loan portfolio;
- Clearly **defined target market** – higher resilience to economic slowdown.

 Shareholder value creation

- **Dividend payout criteria fulfilled** in accordance with the Strategy;
- ROE at the level of 9.6% excl. one-off events.

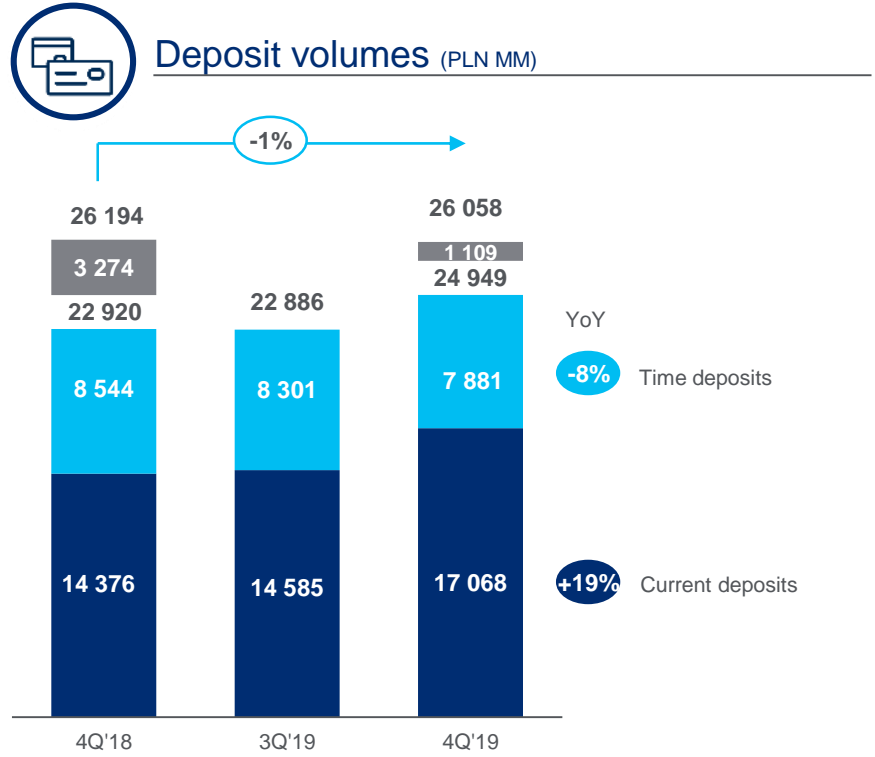
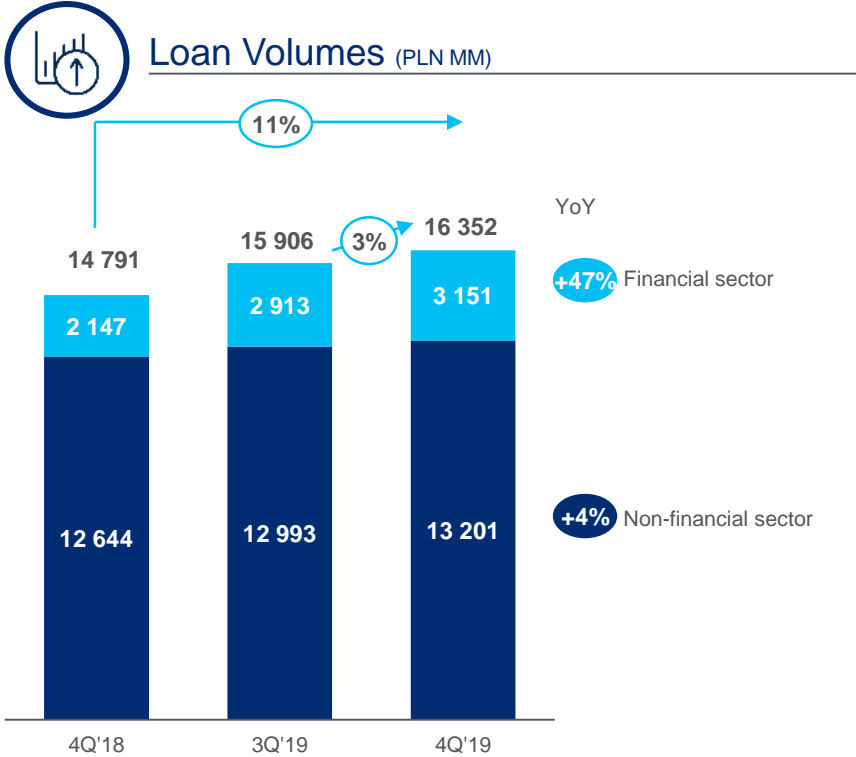
Institutional Banking



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Institutional Banking – Loan and Deposit Volumes

#1 Institutional Banking in Poland – Clients with business locally and abroad



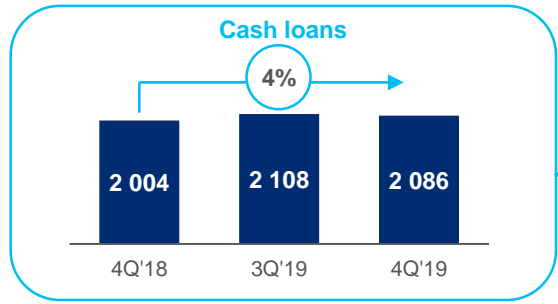
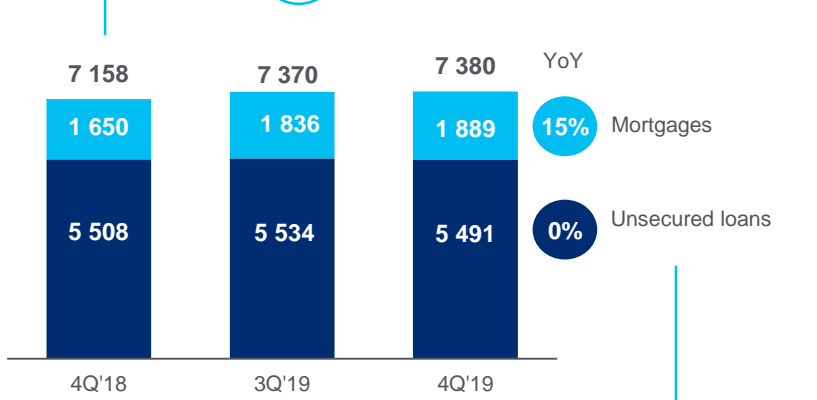
Consumer Banking



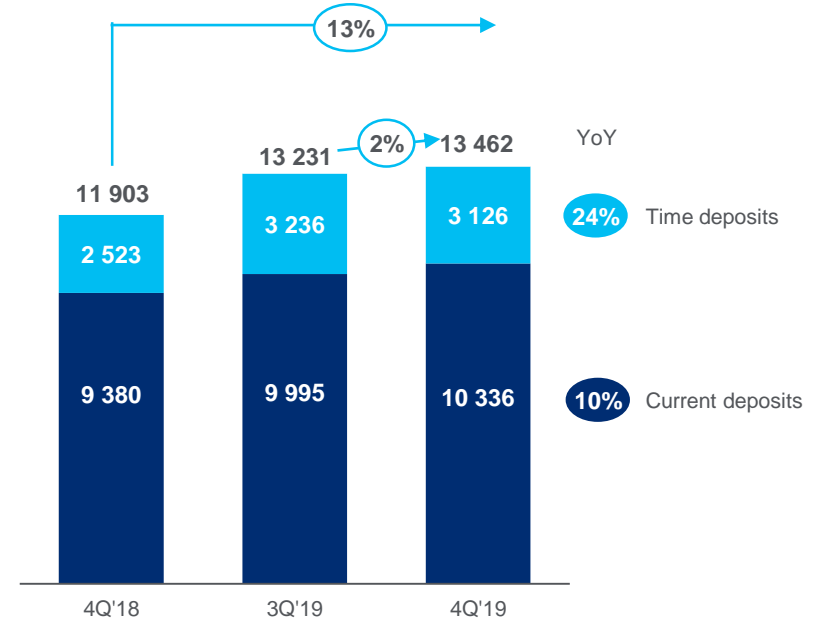
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Consumer Banking – Loan and Deposits Volumes

Loan Volumes (PLN MM)



Deposit volumes (PLN MM)



Q4 2019 Financial results

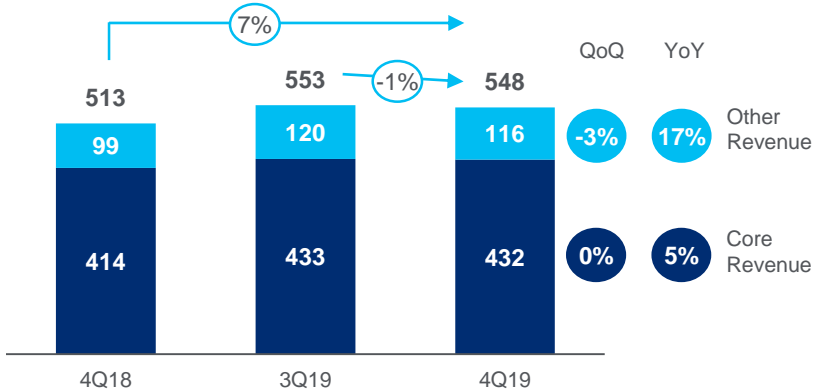


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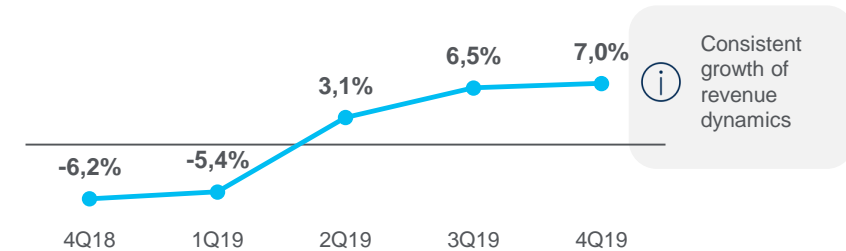
Revenue

Revenue dynamics maintained

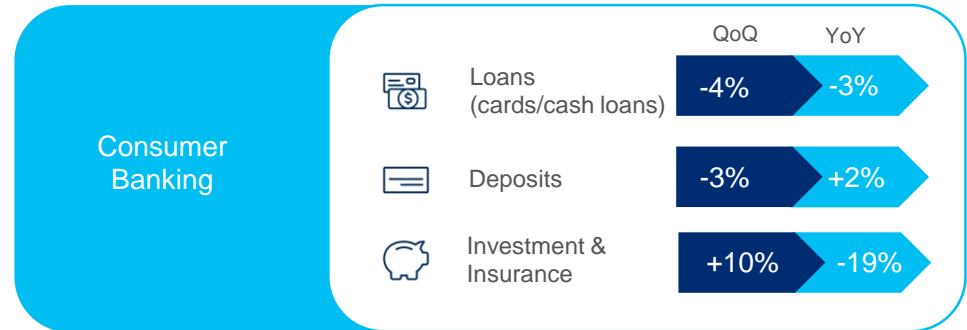
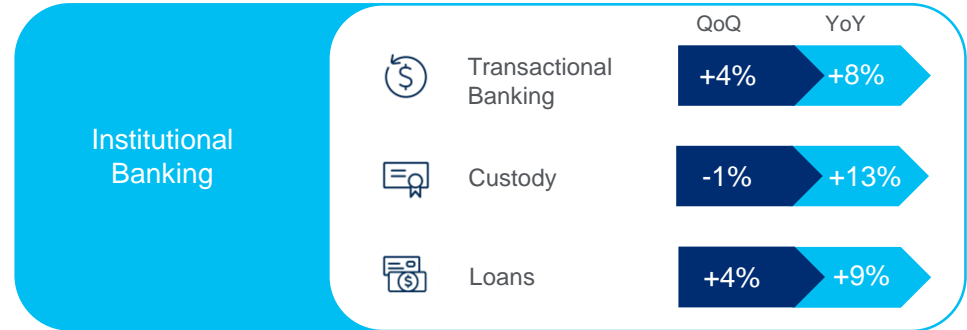
Revenue (PLN MM)



Revenue dynamics YoY (%)

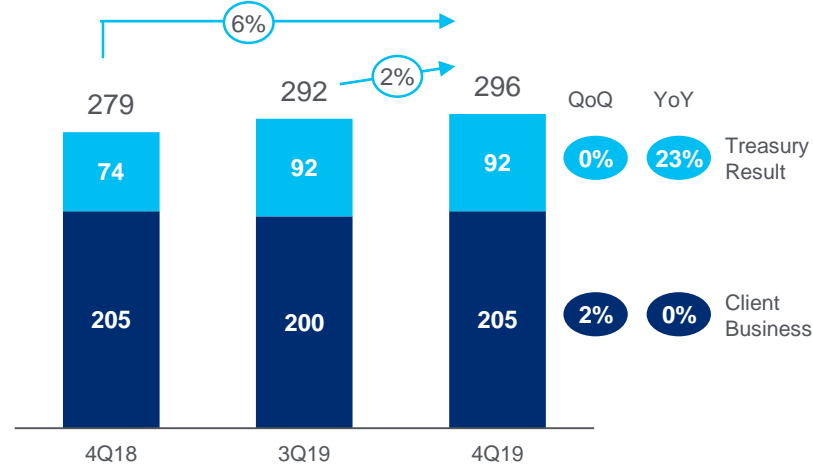


Client revenue dynamics (management view in %)

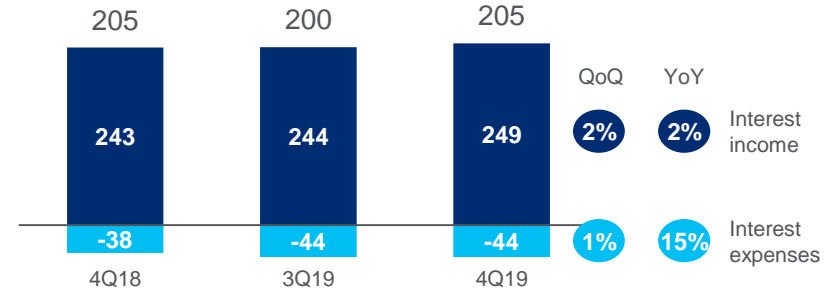


Net Interest Income

Net interest income (PLN MM)

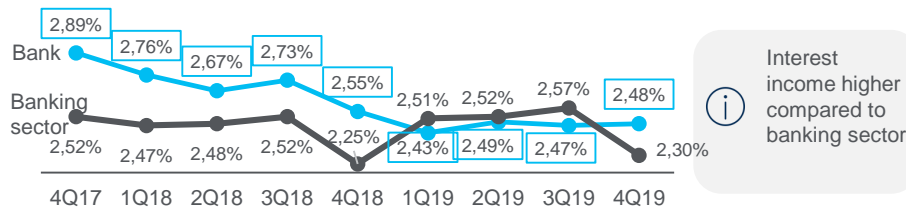


Client interest income & expenses (PLN MM)



Client result affected by higher interest expenses due to higher deposit volumes

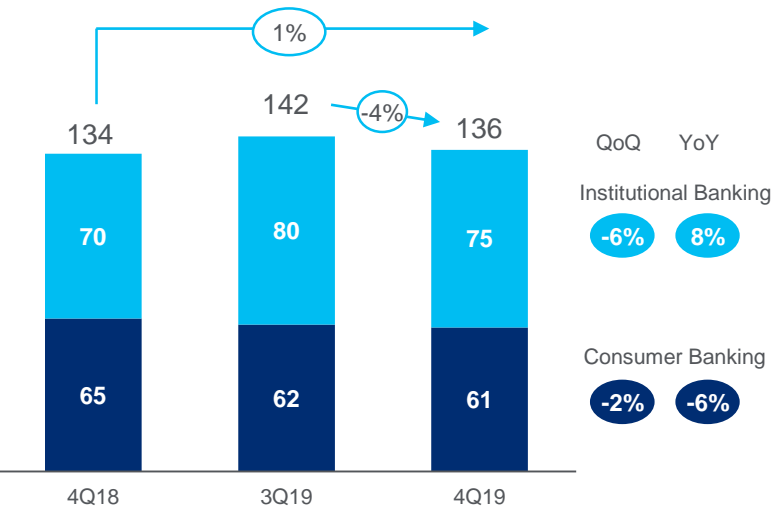
Net interest margin (%)



Net Fee & Commission Income

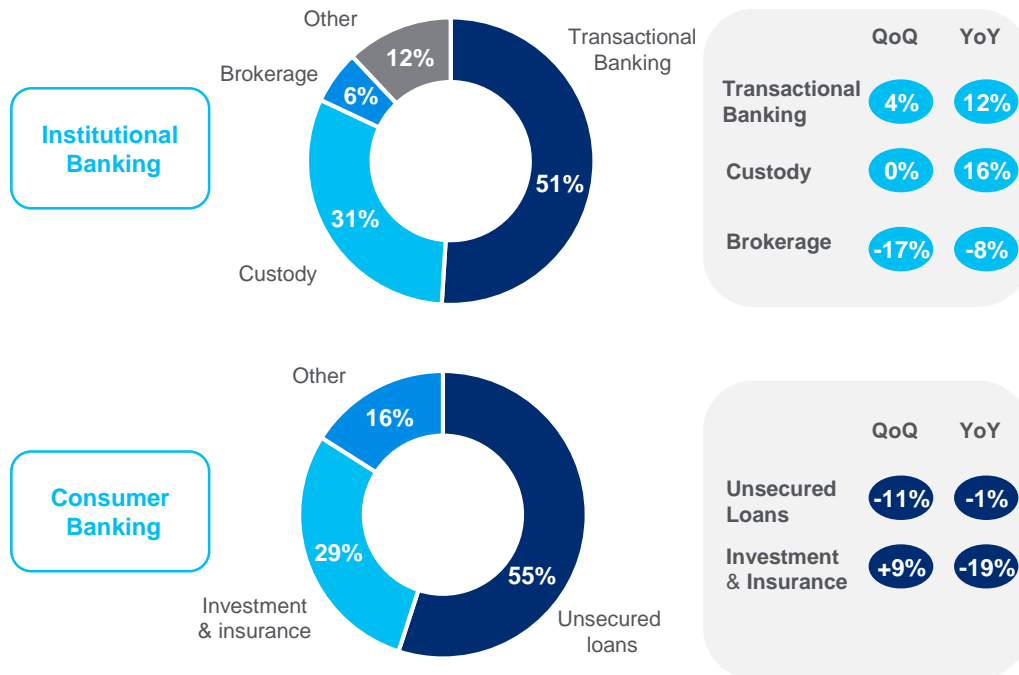
Strong volumes growth in transactional banking and custody

Net fee & commission income (PLN MM)



i Consumer banking NF&C income impacted by change in the structure of investment products portfolio towards products with lower risk profile.

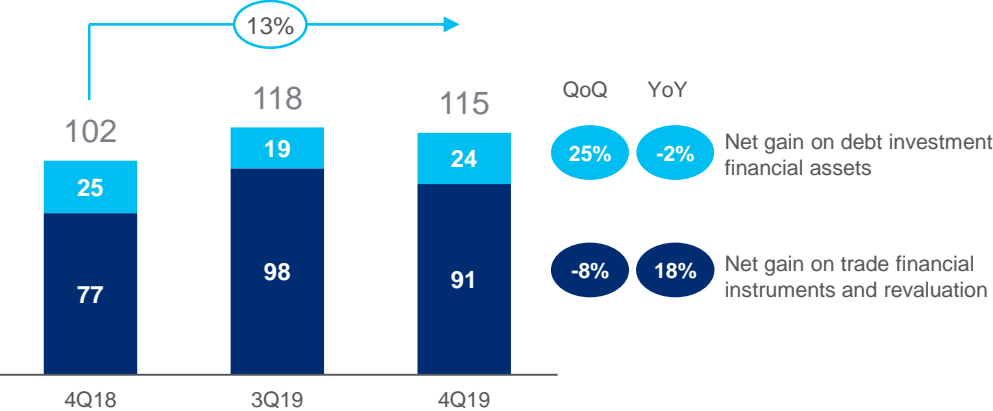
NF&C income structure and dynamics (%)



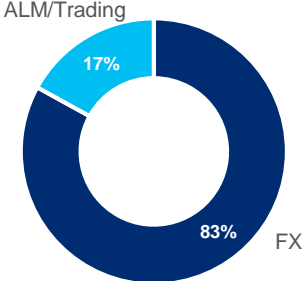
Treasury Result

#1 Bank in treasury securities turnover

Treasury results (PLN MM)



Revenue structure

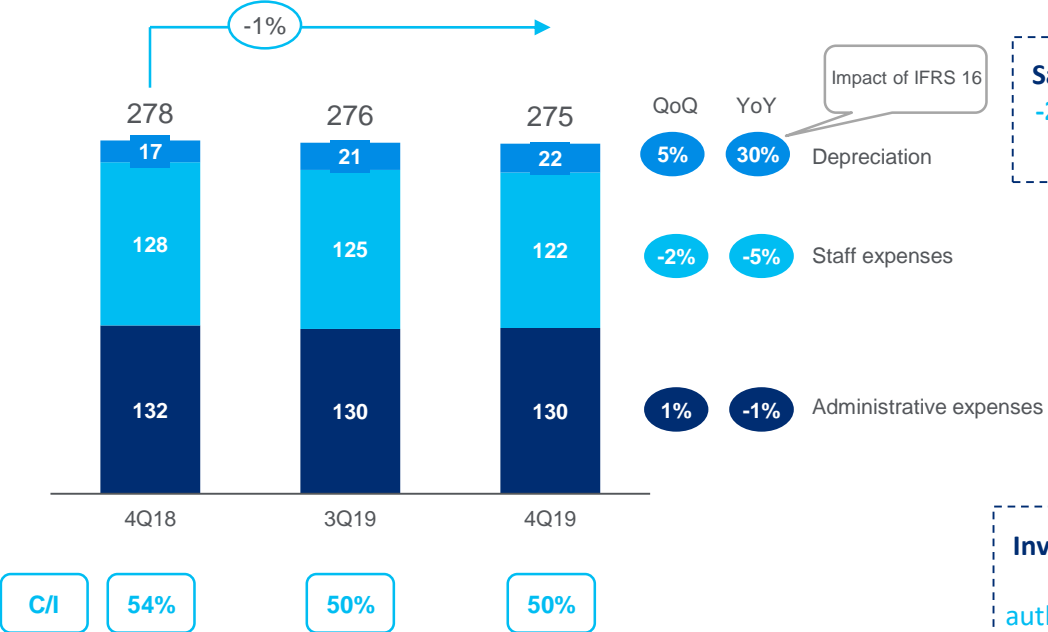


i Regular client business (FX) generates dominant share of trading result

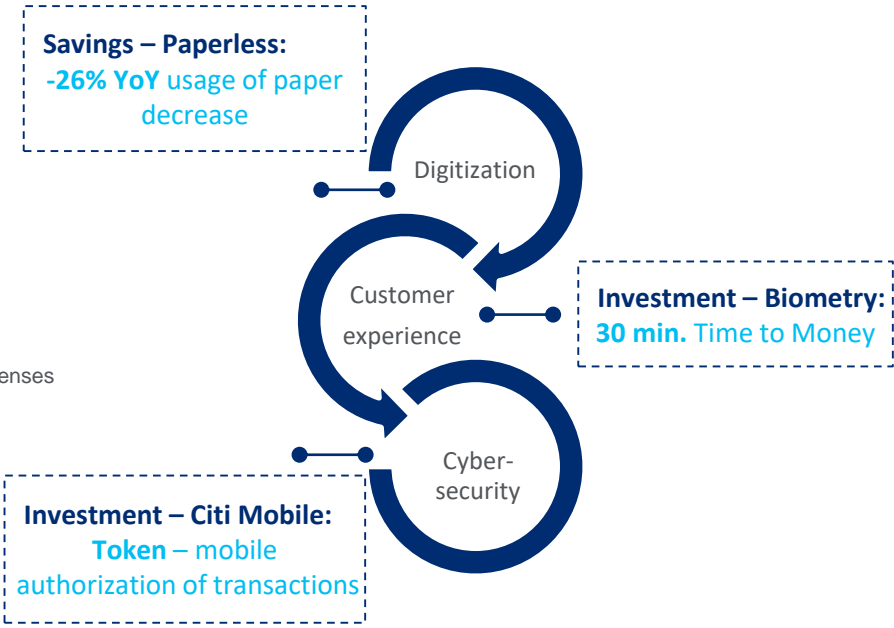
Operating Expenses

Generated savings invested in strategic initiatives

Operating expenses (PLN MM)



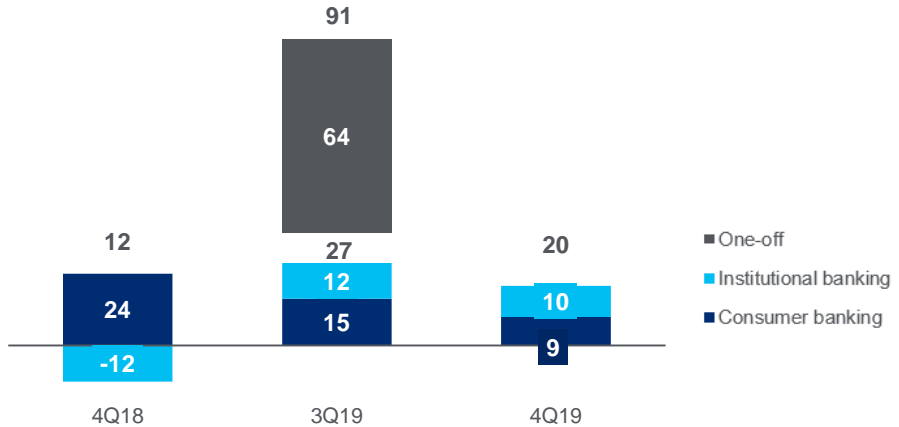
Expenses management strategy in 2019



Cost of Risk

Cost of Risk at the level reflecting high loan portfolio quality

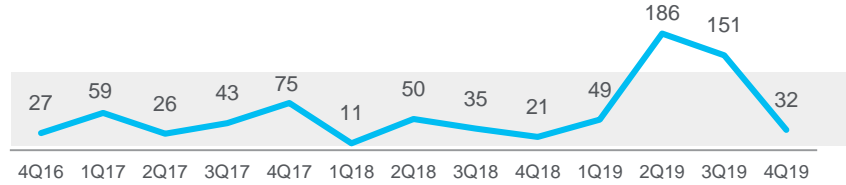
Cost of risk* (PLN MM)



* Positive number in net impairment losses means negative impact on P&L

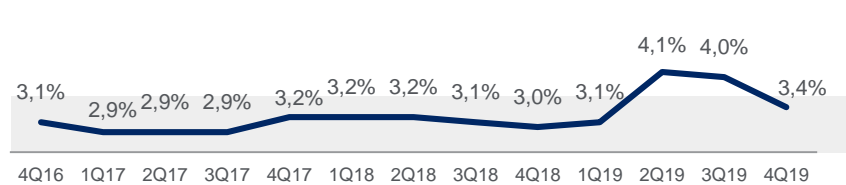
i Consumer banking cost of risk affected by gain on sale of impaired portfolio in 4Q'19 - PLN 4 MM impact on financial results

Cost of risk* (bps)



* Positive number in net impairment losses means negative impact on P&L

NPL ratio (%)



Financial Results Summary

	4Q19	3Q19	ΔQoQ	4Q18	ΔYoY	2019	ΔYoY
Net interest income	296	292	2%	279	6%	1 154	4%
Net fee and commission income	136	142	(4%)	134	1%	565	3%
Core revenue	432	433	(0%)	414	5%	1 719	4%
Treasury	118	118	(0%)	102	15%	477	0%
Other	(2)	2	-	(3)	(36%)	21	(19%)
Total revenue	548	553	(1%)	513	7%	2 217	3%
Expenses	275	276	(0%)	278	(1%)	1 215	3%
Operating margin	273	277	(1%)	235	16%	1 002	2%
Net impairment losses	20	91	(78%)	12	68%	246	287%
Profit before tax	225	160	41%	197	14%	658	(21%)
Corporate income tax	51	46	11%	45	15%	178	(6%)
Bank levy	28	25	10%	26	7%	98	12%
Effective tax rate	22,8%	28,9%	(6,1 pp.)	22,7%	0,1 pp.	27,1%	4,1 pp.
Net profit	174	114	53%	152	14%	480	(25%)
Return on Equity ¹⁾	7,2%	7,0%	0,2 pp.	10,0%	(2,8 pp.)		
Total comprehensive income	140	158	(12%)	213	(34%)	507	(31%)
Assets	51 979	51 979	(0%)	49 305	5%		
Net loans	23 732	23 276	2%	21 949	8%		
Deposits	39 788	36 443	9%	38 334	4%		
Loans / Deposits	60%	64%		57%			
TCR	17,2%	16,3%		16,8%			



Commentary YoY



Net income strong increase – the highest for 5 quarters;



Revenue growth dynamics maintained together with cost discipline;



Loan and deposit volumes increase reflecting Bank Clients high transactions number.

1) ROE = 4 consecutive quarters net income sum / 4 consecutive quarters equity volume.

Appendix

Total Bank - Profit and Loss Account

PLN MM	4Q18	1Q19	2Q19	3Q19	4Q19	4Q19 vs. 3Q19		4Q19 vs. 4Q18		2018	2019	2019 vs. 2018	
						PLN MM	%	PLN MM	%			PLN MM	%
Net interest income	279	277	288	292	296	5	2%	17	6%	1 108	1 154	46	4%
Net fee and commission income	134	134	153	142	136	(6)	(4%)	2	1%	550	565	15	3%
Dividend income	0	0	10	1	0	(1)	(83%)	0	86%	10	11	2	16%
Net gain on trading financial instruments and revaluation	77	91	96	99	93	(5)	(5%)	16	21%	364	380	15	4%
Net gain on debt investment financial assets measured at fair value through other comprehensive income	25	29	25	19	24	5	25%	(1)	(2%)	113	98	(15)	(13%)
Hedge accounting	-	(0)	(0)	(0)	(2)	(2)	682%	(2)	-	4	(3)	(7)	-
Treasury	102	120	121	118	115	(3)	(2%)	13	13%	481	474	(7)	(1%)
Net gain on other equity instruments	(4)	6	7	3	1	(2)	(66%)	5	-	7	17	11	167%
Net other operating income	1	(0)	(1)	(2)	(1)	2	(71%)	(1)	-	6	(4)	(10)	-
Revenue	513	537	579	553	548	(5)	(1%)	36	7%	2 160	2 217	57	3%
Expenses	(261)	(363)	(258)	(255)	(253)	2	(1%)	8	(3%)	(1 108)	(1 128)	(20)	2%
Depreciation	(17)	(21)	(22)	(21)	(22)	(1)	5%	(5)	30%	(71)	(86)	(15)	21%
Expenses and depreciation	(278)	(384)	(279)	(276)	(275)	1	(0%)	3	(1%)	(1 180)	(1 215)	(35)	3%
Operating margin	235	153	299	277	273	(4)	(1%)	38	16%	980	1 002	22	2%
Profit/(loss) on sale of tangible fixed assets	0,0	0,0	(0,0)	(0,3)	(0,1)	0	(78%)	(0)	-	(1)	(0)	0	(56%)
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	(12)	(28)	(106)	(91)	(20)	71	(78%)	(8)	68%	(64)	(246)	(182)	287%
Share in profits / (losses) of entities valued at the equity method	(0)	-	-	-	-	-	-	0	(100%)	(0)	-	0	(100%)
Tax on certain financial institutions	(26)	(22)	(22)	(25)	(28)	(3)	10%	(2)	7%	(87)	(98)	(10)	12%
EBIT	197	103	170	160	225	65	41%	28	14%	829	658	(170)	(21%)
Corporate income tax	(45)	(43)	(37)	(46)	(51)	(5)	11%	(7)	15%	(190)	(178)	12	(6%)
Net profit	152	59	133	114	174	60	53%	22	14%	639	480	(159)	(25%)
C/I ratio	54%	71%	48%	50%	50%					55%	55%		

Institutional Banking - Profit and Loss Account

PLN MM	4Q18	1Q19	2Q19	3Q19	4Q19	4Q19 vs. 3Q19		4Q19 vs. 4Q18		2018	2019	2019 vs. 2018	
						PLN MM	%	PLN MM	%			PLN MM	%
Net interest income	119	119	130	129	137	7	6%	17	15%	499	515	16	3%
Net fee and commission income	70	73	76	80	75	(4)	(6%)	5	8%	283	303	20	7%
Dividend income	0	0	1	1	0	(1)	(94%)	0	35%	1	2	1	60%
Net gain on trading financial instruments and revaluation	70	85	89	92	86	(5)	(6%)	16	24%	336	352	16	5%
Net gain on debt investment financial assets measured at fair value through other comprehensive income	25	29	25	19	24	5	25%	(1)	(2%)	113	98	(15)	(13%)
Hedge accounting	-	(0)	(0)	(0)	(2)	(2)	682%	(2)	-	4	(3)	(7)	-
Treasury	95	114	114	111	108	(3)	(2%)	13	14%	452	446	(6)	(1%)
Net gain on other equity instruments	(4)	6	6	3	1	(2)	(66%)	5	-	7	16	10	152%
Net other operating income	4	3	3	2	2	1	50%	(1)	(35%)	9	10	1	8%
Revenue	284	314	330	325	323	(2)	(1%)	40	14%	1 252	1 293	41	3%
Expenses	(113)	(202)	(108)	(109)	(113)	(4)	4%	0	(0%)	(491)	(533)	(42)	9%
Depreciation	(5)	(5)	(5)	(5)	(5)	(0)	2%	(0)	7%	(18)	(20)	(2)	8%
Expenses and depreciation	(118)	(207)	(113)	(114)	(118)	(4)	4%	(0)	0%	(509)	(553)	(44)	9%
Operating margin	166	107	217	211	205	(6)	(3%)	40	24%	743	741	(2)	(0%)
Profit/(loss) on sale of tangible fixed assets	0,0	0,0	0,0	(0,1)	0,0	0	-	0	129%	-1	0	1	(86%)
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	12	(5)	(77)	(76)	(10)	65	(86%)	(22)	-	9	(168)	(177)	-
Tax on certain financial institutions	(19)	(16)	(16)	(19)	(22)	(2)	11%	(2)	11%	(64)	(73)	(9)	14%
Share in profits / (losses) of entities valued at the equity method	(0,0)	-	-	-	-	-	-	0	(100%)	(0)	-	0	(100%)
EBIT	158	86	123	116	173	57	49%	15	10%	686	499	(187)	(27%)
C/I ratio	42%	66%	34%	35%	36%					41%	43%		

Consumer Banking - Profit and Loss Account

PLN MM	4Q18	1Q19	2Q19	3Q19	4Q19	4Q19 vs. 3Q19		4Q19 vs. 4Q18		2018	2019	2019 vs. 2018	
						PLN MM	%	PLN MM	%			PLN MM	%
Net interest income	160	158	158	162	160	(3)	(2%)	(0)	(0%)	608	639	30	5%
Net fee and commission income	65	61	77	62	61	(1)	(2%)	(4)	(6%)	266	261	(5)	(2%)
Dividend income	0	0	9	-	0	0	-	0	126%	8	9	1	8%
Net gain on trading financial instruments and revaluation	7	6	7	7	7	0	0%	(0)	(3%)	28	28	(1)	(3%)
Net gain on other equity instruments	-	-	1	-	-	-	-	-	-	-	1	1	-
Net other operating income	(3)	(3)	(4)	(4)	(3)	1	(2100%)	0	(0%)	(3)	(14)	(11)	332%
Revenue	229	223	248	228	225	(3)	(1%)	(4)	(2%)	908	923	15	2%
Expenses	(147)	(161)	(149)	(146)	(140)	6	(4%)	8	(5%)	(617)	(595)	22	(4%)
Depreciation	(13)	(16)	(17)	(17)	(17)	(1)	6%	(5)	39%	(53)	(67)	(14)	26%
Expenses and depreciation	(160)	(177)	(166)	(162)	(157)	5	(3%)	3	(2%)	(670)	(662)	9	(1%)
Operating margin	69	46	82	65	68	2	3%	(1)	(2%)	237	261	24	10%
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	(24)	(24)	(29)	(15)	(9)	6	(39%)	14	(61%)	(72)	(77)	(5)	7%
Tax on certain financial institutions	(7)	(6)	(6)	(6)	(6)	(0)	6%	0	(3%)	(23)	(25)	(2)	7%
EBIT	39	17	47	44	52	8	18%	13	34%	142	159	17	12%
C/I ratio	70%	79%	67%	71%	70%					74%	72%		

Balance Sheet - Assets

PLN B	End of period					4Q19 vs. 3Q19		4Q19 vs. 4Q18	
	4Q18	1Q19	2Q19	3Q19	4Q19	PLN B	%	PLN B	%
Cash and balances with the Central Bank	7,3	0,4	0,4	3,4	3,7	0,3	9%	(3,5)	(49%)
Amounts due from banks	1,3	0,8	1,0	0,9	1,2	0,3	29%	(0,2)	(13%)
Financial assets held-for-trading	2,2	6,0	5,7	5,3	5,4	0,1	3%	3,2	143%
Debt financial asstes measured at fair value through other comprehensive income	14,2	17,3	19,8	16,6	15,5	(1,1)	(7%)	1,2	9%
Customer loans	21,9	22,5	22,1	23,3	23,7	0,4	2%	1,8	8%
Financial sector entities	2,1	2,1	2,1	2,9	3,2	0,2	8%	1,0	47%
including reverse repo receivables	0,2	0,2	0,0	0,3	0,0	(0,2)	(88%)	(0,2)	(83%)
Non-financial sector entities	19,8	20,4	20,0	20,4	20,6	0,2	1%	0,8	4%
Institutional Banking	12,6	13,3	12,8	13,0	13,2	0,2	2%	0,6	4%
Consumer Banking	7,2	7,1	7,2	7,4	7,4	0,0	0%	0,2	3%
Unsecured receivables	5,5	5,4	5,5	5,5	5,5	(0,0)	(1%)	(0,0)	(0%)
Credit cards	2,7	2,6	2,7	2,7	2,8	0,0	1%	0,0	2%
Cash loans	2,7	2,7	2,7	2,7	2,7	(0,1)	(2%)	(0,0)	(2%)
Other unsecured receivables	0,1	0,1	0,0	0,1	0,0	(0,0)	(18%)	(0,0)	(22%)
Mortgage	1,6	1,7	1,8	1,8	1,9	0,1	3%	0,2	15%
Other assets	2,3	2,5	2,5	2,4	2,4	(0,0)	(1%)	0,1	6%
Total assets	49,3	49,5	51,5	52,0	52,0	(0,0)	(0%)	2,7	5%

Balance Sheet – Liabilities and Equity

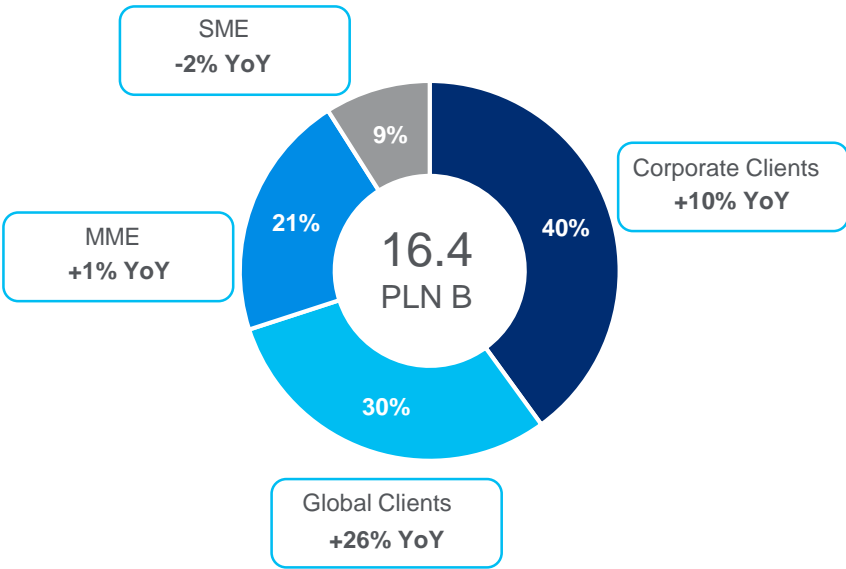
PLN B	End of period					4Q19 vs. 3Q19		4Q19 vs. 4Q18	
	4Q18	1Q19	2Q19	3Q19	4Q19	PLN B	%	PLN B	%
Liabilities due to banks	1,4	3,8	4,3	5,0	2,1	(2,9)	(57%)	0,7	52%
Financial liabilities held-for-trading	1,6	1,5	1,7	2,0	1,9	(0,1)	(6%)	0,3	17%
Financial liabilities due to customers	38,3	35,6	37,0	36,4	39,8	3,3	9%	1,5	4%
Financial sector entities - deposits	7,0	6,5	6,6	4,6	4,6	(0,0)	(1%)	(2,5)	(35%)
Non-financial sector entities - deposits	31,1	28,9	30,1	31,5	35,0	3,4	11%	3,9	13%
Institutional Banking	19,2	16,7	17,7	18,3	21,5	3,2	18%	2,3	12%
Consumer Banking	11,9	12,2	12,4	13,2	13,5	0,2	2%	1,6	13%
Other liabilities	0,9	1,5	1,6	1,6	1,1	(0,4)	(28%)	0,2	23%
Total liabilities	42,2	42,5	44,7	45,0	44,9	(0,1)	(0%)	2,7	6%
Share capital	0,5	0,5	0,5	0,5	0,5	0,0	0%	0,0	0%
Supplementary capital	3,0	3,0	3,0	3,0	3,0	0,0	0%	0,0	0%
Revaluation reserve	0,1	0,0	0,1	0,1	0,1	(0,03)	(21%)	0,03	36%
Other reserves	2,9	2,9	2,9	2,9	2,9	(0,0)	(0%)	(0,0)	(1%)
Retained earning	0,6	0,6	0,3	0,4	0,6	0,2	44%	0,0	1%
Total Equity	7,1	7,1	6,8	6,9	7,1	0,1	2%	0,0	0%
Total liabilities & equity	49,3	49,5	51,5	51,9	52,0	0,1	0%	2,7	5%
Loans / Deposits ratio	57%	63%	60%	64%	60%				
Total Capital Ratio	16,8%	16,2%	16,6%	16,3%	17,2%				
NPL*	3,0%	3,1%	4,1%	4,0%	3,4%				

*as reported, incl. reverse repo

Institutional Banking – Volumes Split by Segments



Loan volumes



Deposit volumes

