

Bank Handlowy w Warszawie S.A.

Consolidated financial results
for 4Q'21 and FY2021

March 25th, 2022

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

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4Q'21 | Summary



Financial results

- Net profit for 4Q'21 at the level of PLN 156 MM (+68% QoQ) as a result of higher income in Institutional Banking segment, both on client business and treasury;
- Total revenues at the level of PLN 536 MM (+17% QoQ) as a result of positive dynamics in all recurrent lines: net interest income (+50% QoQ), income on FX (+13% QoQ) and net fee and commission income (+7% QoQ);
- Operating expenses amounting to PLN 284 MM, increase by 4% QoQ driven by higher staff expenses, meanwhile cost of risk at the level of PLN 4 MM as a result of lower provisions in Consumer Banking segment;
- Stand alone net profit for 2021 at the level of PLN 716 MM, with simultaneously high liquidity (loan/deposit ratio – 49%) and strong capital position (TCR – 20.1%);



Institutional Banking

- Total revenues increase by 24% QoQ driven by rebound of net interest income on debt securities;
- Strong quarter in terms of strategic transactions, that affected net fee and commission income dynamics positively – the Bank took part in IPO arrangement for technological company from HR sector, valued at PLN 1.1 B as well as in syndicate financing of acquisition of company from alcohol industry;
- Net loan volume increase by 4% QoQ, as a result of loan volume increase in all client's segments: Global, Corporate and Commercial Banking;
- Citi Handlowy Cash Management ranked No. 1 in Euromoney ranking in Market Leader and Best Service categories;



Consumer Banking

- Growth of total revenues by 3% QoQ, by 15% QoQ excl. one-off transactions;
- Deposit volume increase by 4% QoQ as a result of transactional accounts number growth in Private Banking;
- Launch of the virtual card – fast activation in mobile application if the client does not hold physical card yet;

Business activity

Institutional Banking | Strong momentum in transactions

Selected transactions:

**Pracuj.pl
Group**

PLN 1.1 B
IPO

Dom Maklerski
citi handlowy

Global Coordinator

**CVC Capital
Partners**

EUR 300 MM
PLN 820 MM
Syndicated financing

citi handlowy
citi

Underwriter i
Original Lender

Supporting „green” investments

- LG Energy Solution is one of the largest manufacturers of batteries for electric vehicles in Europe
- LG Chem is mother company of LG Energy Solution and produce supportive material for EV
- Citi Handlowy provided financing LG Chem Poland in the amount of:

PLN 155 million
Acquisition term loan

For takeover separator business
used in producing of lithium-ion
batteries for electric vehicles
(EV)

Electric vehicles play a key role in the reduction of GHG emissions

- Since 2035: all new cars must be zero emissions aligned with EU plan
- The future of electric vehicles market according to Citi expert:



ELECTRIC VEHICLES
Readying for Adoption

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2019.07.17

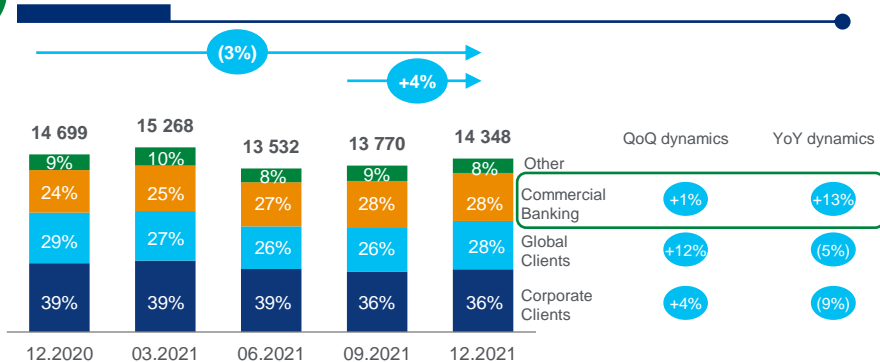
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<https://www.citivelocity.com/citigps/esg-sustainability/>

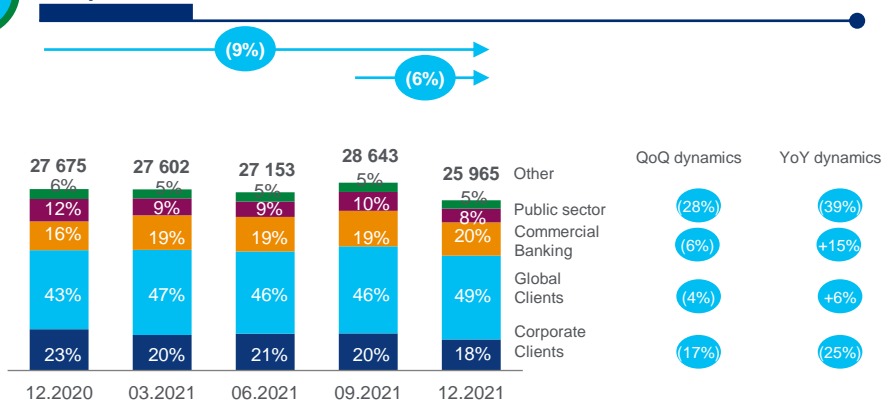
Institutional Banking | Business volumes



Loan volumes (PLN MM)



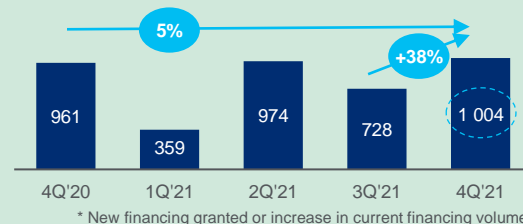
Deposit volumes (PLN MM)



4Q'21 transactional volumes

Continuation of positive trends supported by strong revival of Polish GDP in 4Q'21

1. *New institutional loans (PLN MM)*



2. Foreign trade

Companies expansion to new markets



+11%
12.2021
vs. 12.2020

Average
assets level

3. Transaction Banking

+4% YoY

Cross-border
money transfer
volume

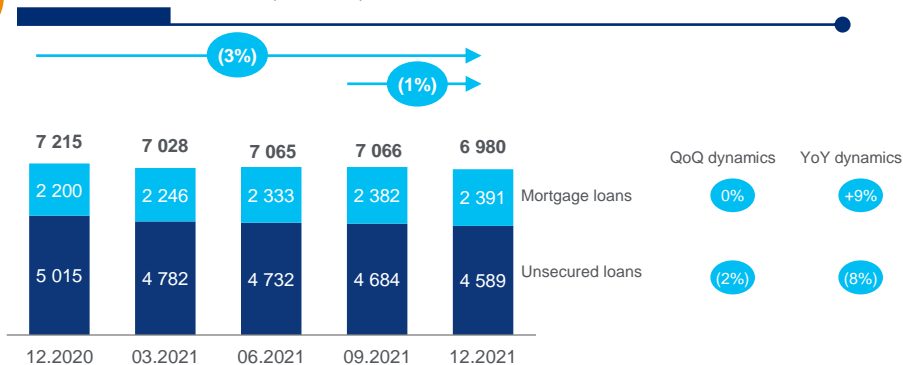
+2% YoY

Number of transactions
processed in Citi Direct

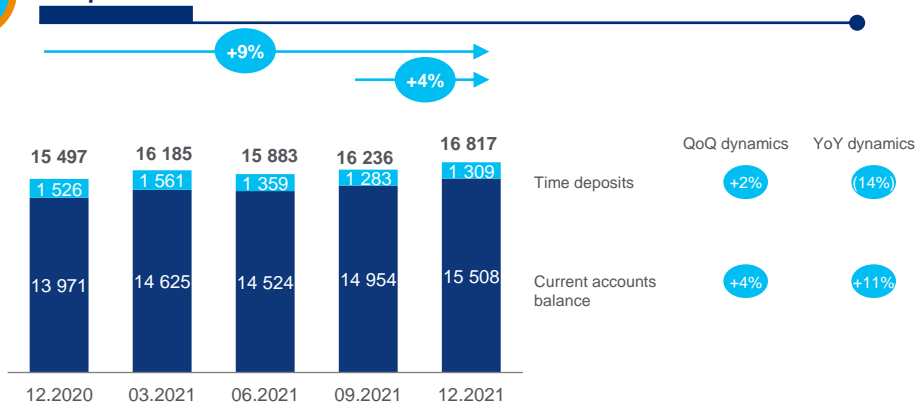
Consumer Banking | Business volumes



Loan volumes (PLN MM)



Deposit volumes (PLN MM)



4Q'21 transactional volumes

Continuation of strong trends in Consumer Banking strategic areas

1. FX volumes



2. Wealth Management



Good business results of Citi Private Client (CPC) segment



Summary of the 2021 | Capital Group of the Bank

Net profit at the level of PLN 717 MM – the highest since 2014

+10.1%

Profitability (ROE)

Above cost of equity

+14% YoY

Total revenue

Due to higher result on debt securities sale, net fee and commission income and FX

+36% YoY

Operating margin

Revenue growth and cost discipline maintained, despite higher staff expenses and depreciation

+32% YoY

FX volumes

In Global Client and Commercial Banking segments

+13% YoY

Assets of the Commercial Banking segment

Record high dynamics of Commercial Banking assets growth

20.1%

Capital position (TCR)

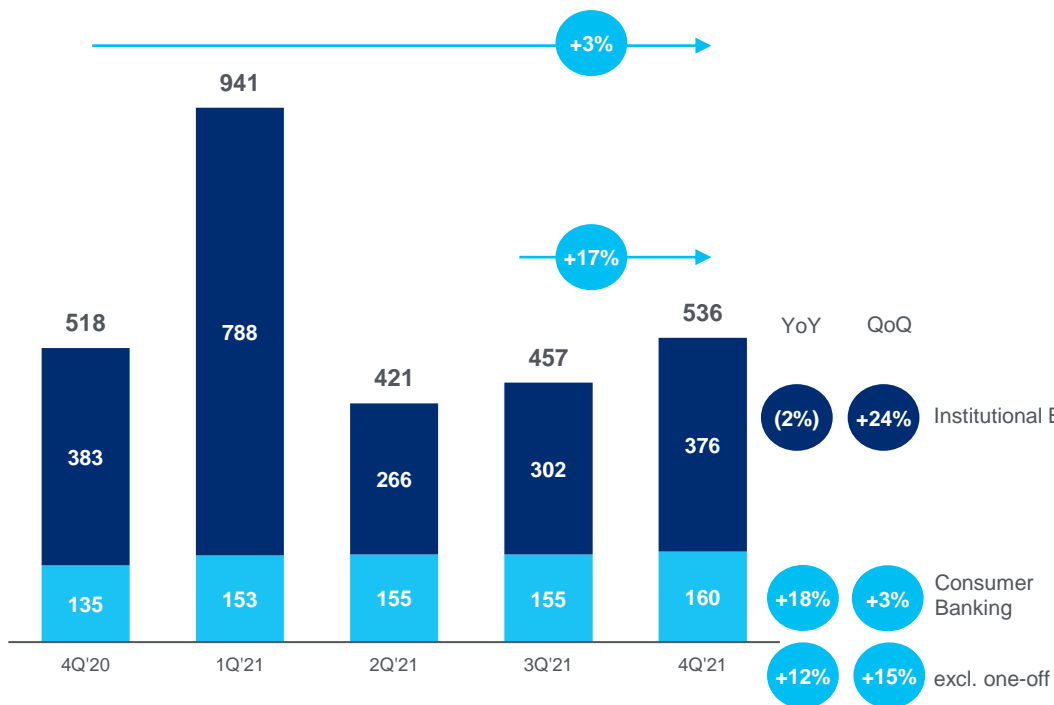
While maintaining sustainable growth of client business

Consolidated financial results

Total revenue

Revenue – segment split (PLN MM)

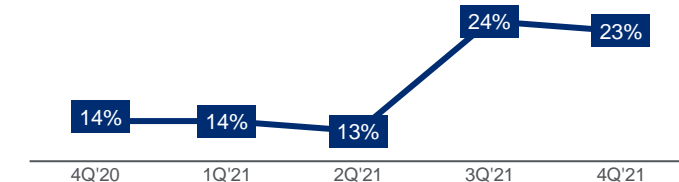
Revenue growth as a result of higher net interest income



Revenue – Institutional Banking

Client revenue* – YoY dynamics

Double-digit dynamics of client revenue growth maintained



*) Client revenue: Client Net Interest Income, net fee and commission income, income on FX

+32% YoY
FX volumes

+34% YoY
Net interest income

+11% YoY
Net fee and
commission income

FX volumes growth:
by 49% YoY in Global Clients
and by 8% YoY in Commercial
Banking

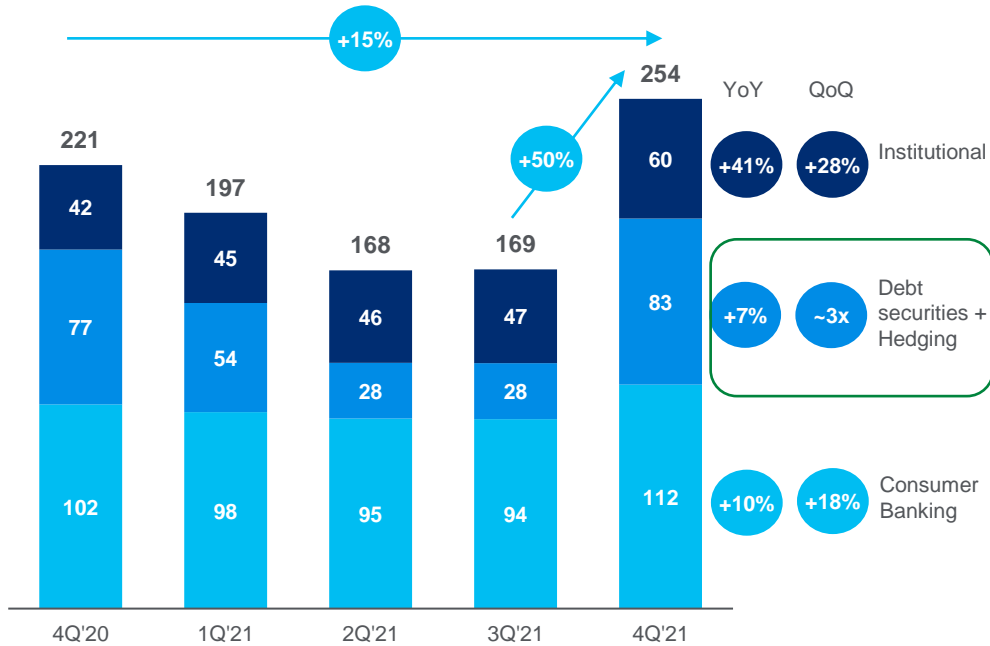
Increase of client margin and
volumes in Commercial Banking
segment

Capital arrangement transactions
for clients

Net interest income

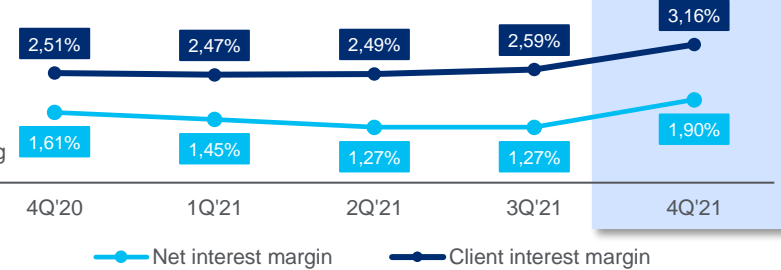
Net interest income – segment split (PLN MM)

Increase of net interest income as a result of higher interest income on debt securities – purchase of short-term treasury bills



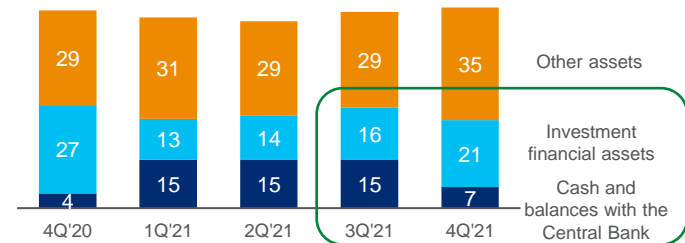
Net interest margin

Interest margin growth as a result of i.a. reference rate hikes in 4Q'21



Debt securities

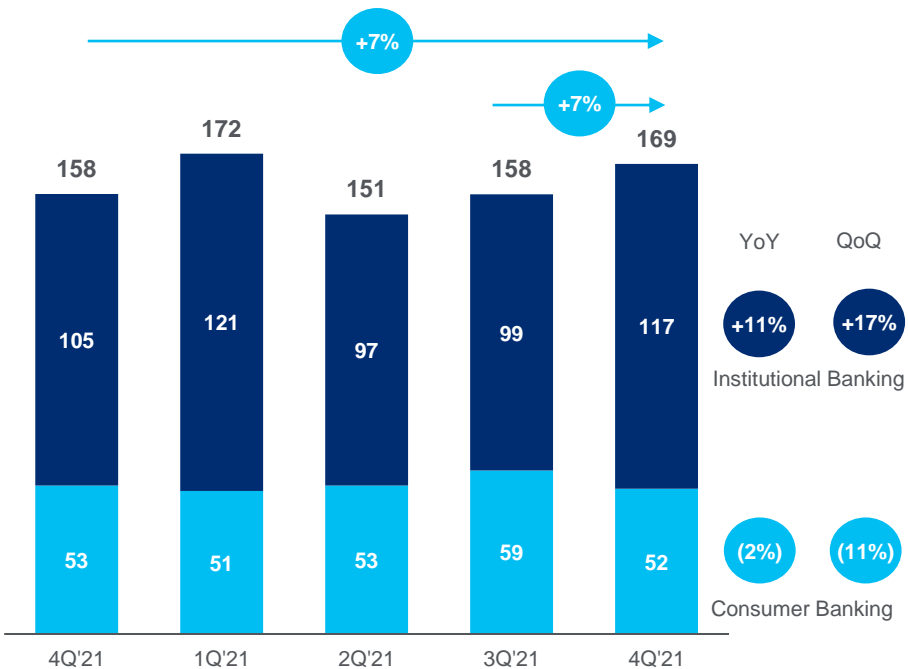
Assets (PLN B)



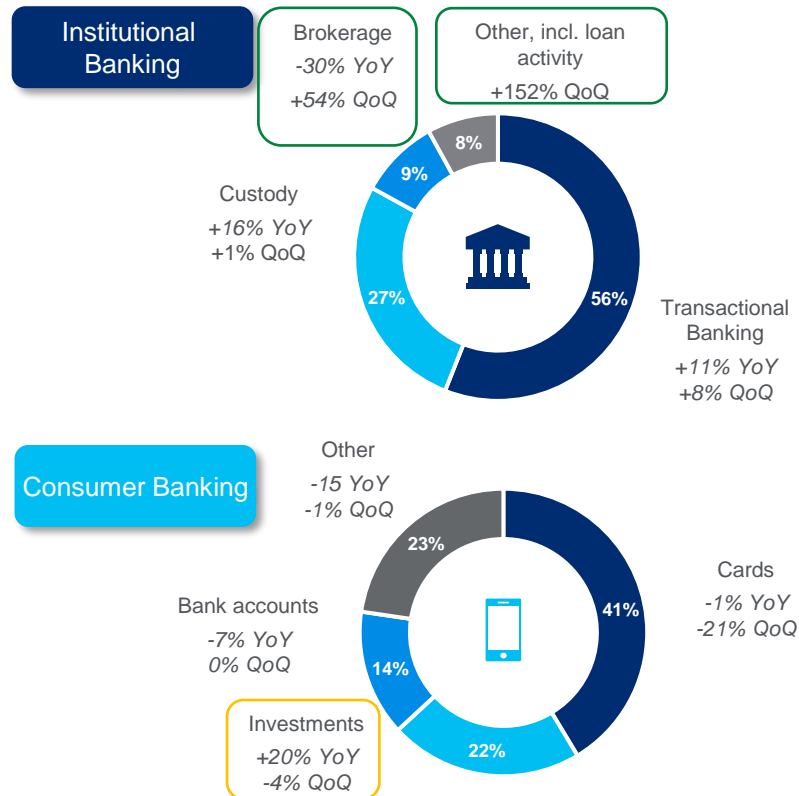
Net fee & commission income

NF&CI – segment split (PLN MM)

NF&C income growth driven by income on capital arrangement for clients – loan activity and brokerage



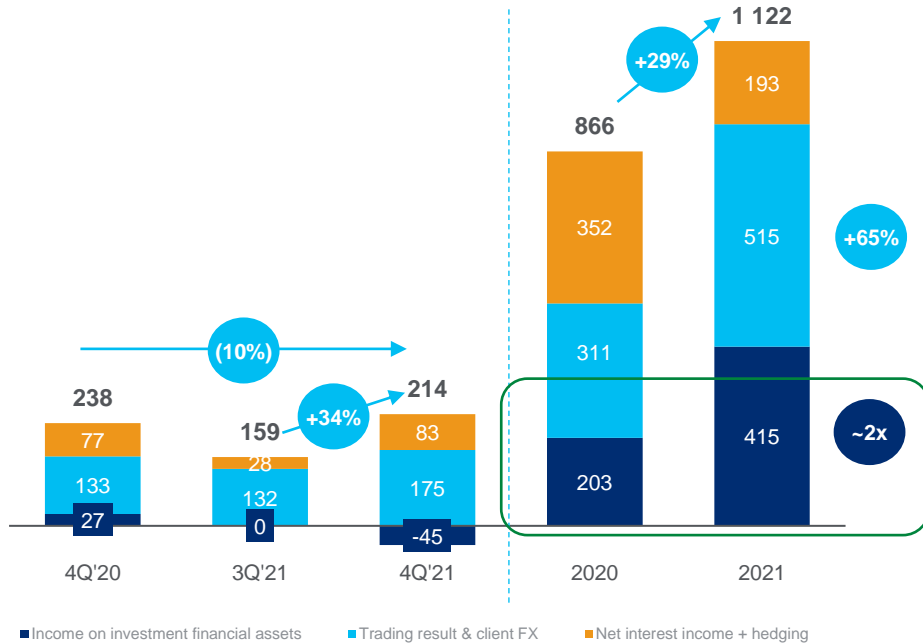
NF&CI structure and dynamics (4Q 2021)



Treasury

Treasury result (PLN MM)

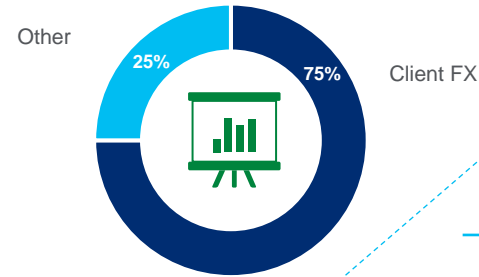
Taking benefits from changing interest rates



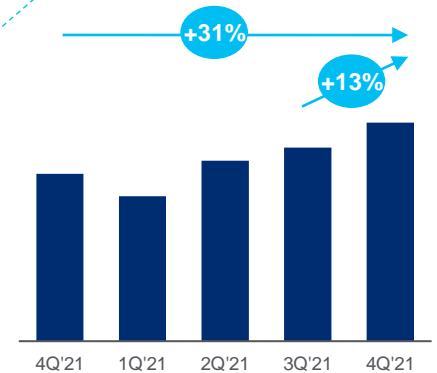
Trading result & client FX

Next quarter of record high income on FX operations

Trading result & client FX in 2021



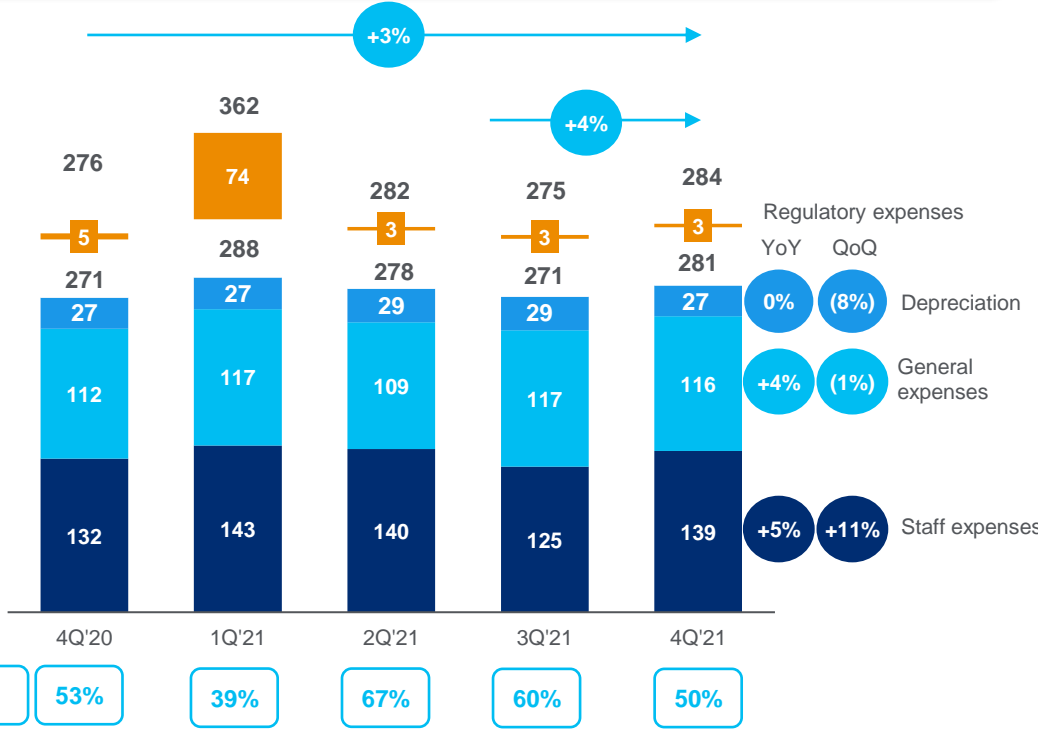
Income on client FX



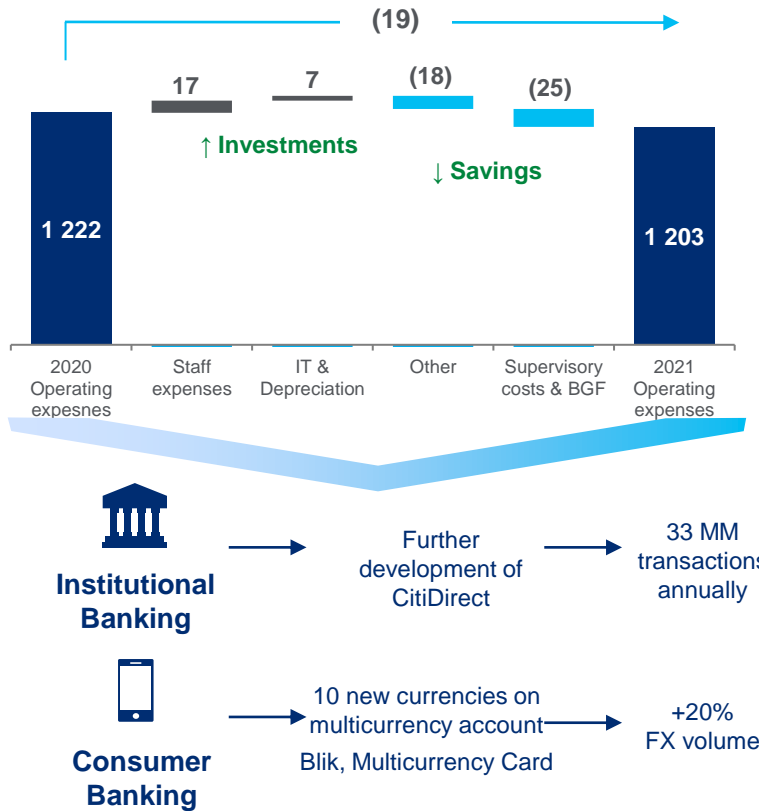
Expenses

Operating expenses (PLN MM)

Operating expenses consistently under control



Operating expenses – structural view (PLN MM)



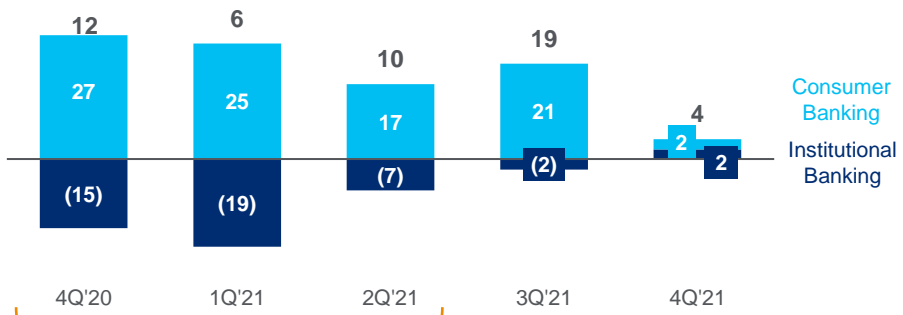
Cost of Risk

Cost of Risk

Lower cost of risk in Consumer Banking

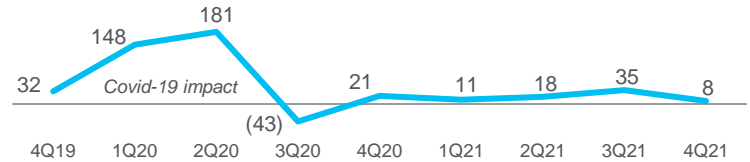
PLN 43 MM: outstanding value of COVID-19 provisions as end of 2021

(PLN MM)



PLN 97 MM: macroeconomic provisions reversal in 4Q'20 - 2Q'21

(data in basis points)



Positive number means net impairment creation (negative impact on P&L)

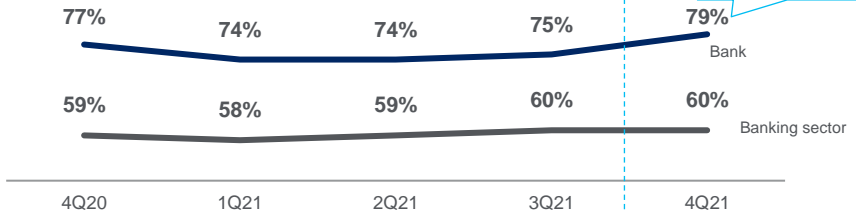
Coverage ratio and NPL (%)

Loan portfolio quality significantly better comparing to the banking sector

Assuming accrued contractual interests – coverage ratio equals to 81%

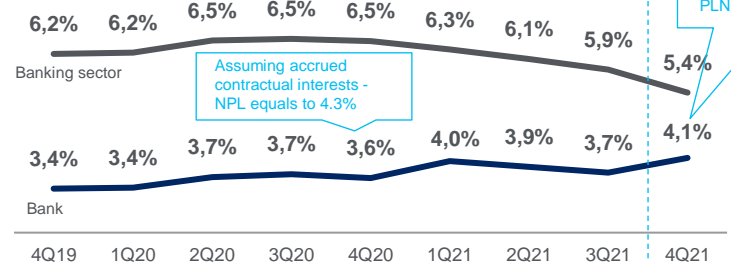
Coverage ratio

Increased credit write-offs by accrued contractual interest amounting to PLN 140 MM in Q4'21



NPL ratio

Increased credit write-offs by accrued contractual interest amounting to PLN 140 MM in Q4'21



Assuming accrued contractual interests - NPL equals to 4.3%

Summary of the Capital Group financial results

	4Q21	3Q21	ΔQoQ	4Q20	ΔYoY	2021	ΔYoY
Net interest income	254	169	50%	221	15%	788	(21%)
Net fee and commission income	169	158	7%	158	7%	650	16%
Core revenue	423	327	29%	379	12%	1 438	(8%)
Treasury	131	132	(0%)	161	(19%)	929	80%
Other revenue	(18)	(1)	-	(22)	-	(13)	60%
Total revenue	536	457	17%	518	3%	2 354	14%
Operating expenses	(284)	(275)	4%	(276)	3%	(1 203)	(2%)
Operating margin	251	183	38%	242	4%	1 152	36%
Cost of risk	(4)	(19)	(77%)	(12)	(64%)	(39)	(80%)
Profit before tax	201	124	63%	(16)	-	951	200%
Income tax	(44)	(30)	47%	(42)	5%	233	61%
Bank levy	(46)	(40)	14%	(31)	48%	161	30%
Net profit	156	93	68%	(58)	-	717	316%
ROE	10,1%	6,9%	3,2 pp.	2,4%	7,7 pp.		
ROA	1,2%	0,8%	0,3 pp.	0,3%	0,9 pp.		
Assets	61 863	60 476	2%	60 942	2%	61 863	2%
Net loans	21 328	20 836	2%	21 914	(3%)	21 328	(3%)
Deposits	43 507	45 133	(4%)	43 394	0%	43 507	0%
Loans / Deposits	49%	46%		51%			
TCR	20,1%	19,0%		22,6%			

Appendix

Capital Group – profit and loss account

PLN MM	4Q20	1Q21	2Q21	3Q21	4Q21	4Q21 vs.3Q21		4Q21 vs.4Q20		2020	2021	2021 vs. 2020	
						PLN MM	%	PLN MM	%			PLN MM	%
Net interest income	221	197	168	169	254	85	50%	33	15%	1 002	788	(214)	(21%)
Net fee and commission income	158	172	151	158	169	11	7%	11	7%	560	650	90	16%
Dividend income	0	0	9	2	0	(2)	(91%)	0	118%	12	11	(1)	(7%)
Net gain on trading financial instruments and revaluation	133	115	93	132	175	44	33%	42	32%	311	515	203	65%
Net gain on debt investment financial assets measured at fair value through other comprehensive income	27	456	4	-	(45)	(45)	-	(72)	-	203	415	211	104%
Hedge accounting	(0)	1	(1)	1	(8)	(9)	-	(7)	1479%	1	(6)	(7)	-
Treasury	160	571	96	133	123	(10)	(7%)	(37)	(23%)	515	923	407	79%
Net gain on other equity instruments	3	1	3	0	49	49	-	46	-	16	53	37	236%
Net other operating income	(25)	(1)	(6)	(5)	(59)	(55)	1181%	(34)	138%	(36)	(71)	(34)	95%
Revenue	518	941	421	457	536	79	17%	18	3%	2 068	2 354	286	14%
Expenses	(249)	(335)	(253)	(246)	(258)	(12)	5%	(9)	3%	(1 115)	(1 091)	25	(2%)
Depreciation	(27)	(27)	(29)	(29)	(27)	2	(8%)	0	(0%)	(107)	(112)	(5)	5%
Expenses and depreciation	(276)	(362)	(282)	(275)	(284)	(10)	4%	(8)	3%	(1 222)	(1 203)	19	(2%)
Net impairment allowances on non-financial assets	(215)	-	-	-	-	-	-	215	(100%)	(215)	-	215	(100%)
Operating margin	242	578	139	183	251	69	38%	9	4%	846	1 152	305	36%
Profit/(loss) on sale of tangible fixed assets	(0,1)	(0,3)	(0,2)	0,0	(0,3)	(0,3)	-	(0,2)	374%	(0,5)	(0,7)	(0,2)	37%
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	(12)	(6)	(10)	(19)	(4)	14	(77%)	8	(64%)	(190)	(39)	151	(80%)
Tax on certain financial institutions	(31)	(36)	(39)	(40)	(46)	(6)	14%	(15)	48%	(124)	(161)	(38)	30%
EBIT	(16)	536	91	124	201	77	63%	217-		317	951	634	200%
Corporate income tax	(42)	(141)	(18)	(30)	(44)	(14)	47%	(2)	5%	(145)	(233)	(89)	61%
Net profit	(58)	395	73	93	156	63	68%	214-		172	717	545	316%
C/I ratio	53%	39%	67%	60%	53%					59%	51%		

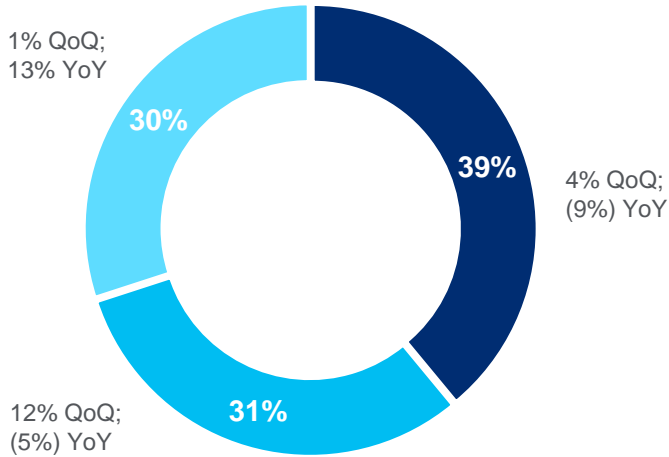
Institutional Banking – profit and loss account

PLN MM	4Q20	1Q21	2Q21	3Q21	4Q21	4Q21 vs.3Q21		4Q21 vs.4Q20		2020	2021	2021 vs. 2020	
						PLN MM	%	PLN MM	%			PLN MM	%
Net interest income	119	99	74	74	142	68	91%	23	19%	550	390	(160)	(29%)
Net fee and commission income	105	121	97	99	116	17	17%	12	11%	349	434	86	25%
Dividend income	0	0	1	2	0	(2)	(95%)	0	16%	1	3	2	121%
Net gain on trading financial instruments and revaluation	126	107	85	123	166	43	35%	41	32%	280	482	203	72%
Net gain on debt investment financial assets measured at fair value through other comprehensive income	27	456	4	-	(45)	(45)	-	(72)	-	203	415	211	104%
Hedge accounting	(0)	1	(1)	1	(8)	(9)	-	(7)	1479%	1	(6)	(7)	-
Treasury	152	564	88	125	114	(11)	(9%)	(39)	(25%)	484	891	407	84%
Net gain on other equity instruments	3	1	3	0	2	2	532%	(1)	(36%)	8	6	(1)	(14%)
Net other operating income	3	3	2	2	1	(1)	(52%)	(2)	(64%)	6	8	2	36%
Revenue	383	788	266	302	376	73	24%	(7)	(2%)	1 397	1 732	335	24%
Expenses	(107)	(182)	(119)	(119)	(124)	(5)	5%	(17)	16%	(525)	(543)	(18)	3%
Depreciation	(5)	(5)	(6)	(6)	(6)	0	(4%)	(0)	8%	(22)	(22)	(1)	4%
Expenses and depreciation	(112)	(188)	(124)	(124)	(130)	(5)	4%	(18)	16%	(547)	(566)	(19)	3%
Operating margin	271	601	142	178	246	68	38%	(24)	(9%)	850	1 166	316	37%
Profit/(loss) on sale of tangible fixed assets	0,0	0,0	-0,1	0,1	-0,2	(0)	-	(0)	595%	(0)	(0)	(0)	49%
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	15	19	7	2	(2)	(4)	-	(17)	-	(82)	26	108	-
Tax on certain financial institutions	(24)	(29)	(32)	(34)	(39)	(5)	16%	(15)	64%	(97)	(134)	(37)	38%
EBIT	262	590	116	147	205	58	40%	(57)	(22%)	671	1 058	388	58%
C/I ratio	29%	24%	47%	41%	34%					39%	33%		

Institutional Banking – assets and liabilities

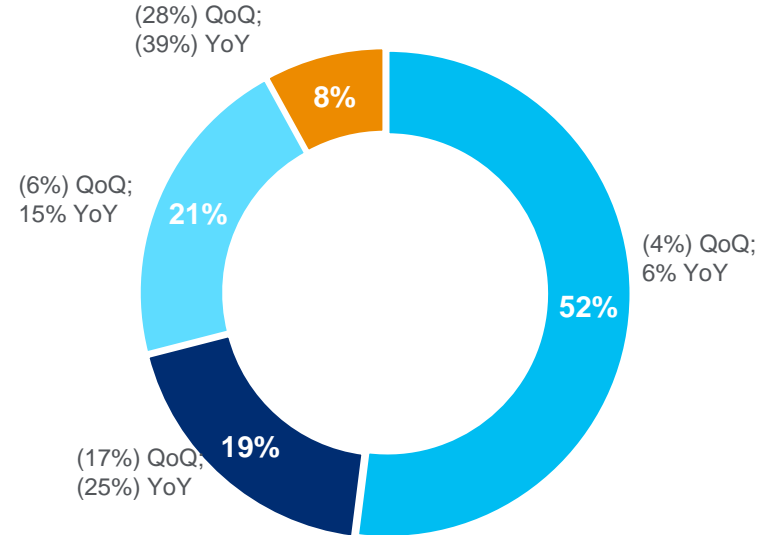
Management view

Assets



■ Corporate Clients ■ Global Clients ■ Commercial Banking

Liabilities



■ Global Clients ■ Corporate Clients ■ Commercial Clients ■ Public Sector

Consumer Banking – profit and loss account

PLN MM	4Q20	1Q21	2Q21	3Q21	4Q21	4Q21 vs.3Q21		4Q21 vs. 4Q20		2020	2021	2021 vs. 2020	
						PLN MM	%	PLN MM	%			PLN MM	%
Net interest income	102	98	95	94	112	17	18%	10	10%	452	399	(53)	(12%)
Net fee and commission income	53	51	53	59	52	(6)	(11%)	(1)	(2%)	211	216	4	2%
Dividend income	-	-	8	-	0	0	-	0	-	10	8	(3)	(26%)
Net gain on trading financial instruments and revaluation	8	7	8	8	9	1	14%	1	17%	32	32	0	1%
Net gain on other equity instruments	-	-	-	-	47	47	-	47	-	8	47	38	465%
Net other operating income	(27)	(4)	(8)	(7)	(60)	(53)	814%	(33)	119%	(42)	(79)	(37)	87%
Revenue	135	153	155	155	160	5	3%	25	18%	671	622	(49)	(7%)
Expenses	(142)	(153)	(134)	(127)	(134)	(7)	5%	9	(6%)	(590)	(547)	43	(7%)
Depreciation	(21)	(22)	(23)	(23)	(21)	2	(9%)	1	(2%)	(85)	(89)	(4)	5%
Expenses and depreciation	(164)	(175)	(157)	(150)	(155)	(5)	3%	9	(6%)	(675)	(637)	38	(6%)
Net impairment allowances on non-financial assets	(215)	-	-	-	-	-	-	215	(100%)	(215)	-	215	(100%)
Operating margin	(29)	(22)	(3)	4	5	1	18%	34	-	(4)	(15)	(11)	288%
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	(27)	(25)	(17)	(21)	(2)	19	(89%)	25	(92%)	(108)	(65)	43	(40%)
Tax on certain financial institutions	(7)	(7)	(7)	(7)	(7)	(0)	4%	0	(4%)	(26)	(27)	(1)	3%
EBIT	(278)	(55)	(26)	(23)	(4)	19	(83%)	274	(99%)	(354)	(107)	246	(70%)
C/I ratio	121%	114%	102%	97%	97%					101%	102%		

Balance Sheet – assets

PLN B	End of period					4Q21 vs. 4Q20	
	4Q20	1Q21	2Q21	3Q21	4Q21	PLN B	%
Cash and balances with the Central Bank	4,5	14,9	15,0	14,9	6,5	2,0	45%
Amounts due from banks	0,6	0,8	0,9	1,0	1,0	0,4	70%
Financial assets held-for-trading	4,4	5,9	5,2	5,3	10,0	5,6	129%
Debt financial asstes measured at fair value through other comprehensive income	27,3	12,6	13,6	16,1	20,6	(6,7)	(25%)
Customer loans	21,9	22,3	20,6	20,8	21,3	(0,6)	(3%)
Financial sector entities	3,7	3,8	3,4	3,5	3,4	(0,3)	(8%)
including reverse repo receivables	-	0,0	0,0	0,0	-	0,0	-
Non-financial sector entities	18,2	18,5	17,2	17,4	17,9	(0,3)	(2%)
Institutional Banking	11,0	11,4	10,2	10,3	10,9	(0,1)	(1%)
Consumer Banking	7,2	7,0	7,1	7,1	7,0	(0,2)	(3%)
Unsecured receivables	5,0	4,8	4,7	4,7	4,6	(0,4)	(8%)
Credit cards	2,5	2,4	2,4	2,4	2,4	(0,1)	(4%)
Cash loans	2,5	2,4	2,3	2,2	2,1	(0,3)	(14%)
Other unsecured receivables	0,0	0,0	0,0	0,0	0,0	(0,0)	(1%)
Mortgage	2,2	2,2	2,3	2,4	2,4	0,2	9%
Other assets	2,3	2,3	2,4	2,3	2,5	0,2	9%
Total assets	60,9	58,8	57,7	60,5	61,9	0,9	2%

Balance Sheet – liabilities and equity

PLN B	End of period					4Q21 vs. 4Q20	
	4Q20	1Q21	2Q21	3Q21	4Q21	PLN B	%
Liabilities due to banks	5,1	2,8	1,6	1,6	3,4	(1,7)	(34%)
Financial liabilities held-for-trading	3,7	3,1	3,1	4,9	6,6	2,9	80%
Financial liabilities due to customers	43,4	44,1	43,3	45,1	43,5	0,1	0%
Financial sector entities - deposits	4,6	3,5	4,1	4,0	3,2	(1,4)	(30%)
Non-financial sector entities - deposits	38,6	40,3	39,0	40,9	39,6	1,0	3%
Institutional Banking	23,1	24,1	23,1	24,6	22,8	(0,3)	(1%)
Consumer Banking	15,5	16,2	15,9	16,2	16,8	1,3	9%
Other liabilities	1,2	1,3	2,0	1,3	1,0	(0,2)	(16%)
Total liabilities	53,4	51,2	50,1	53,0	54,5	1,1	2%
Share capital	0,5	0,5	0,5	0,5	0,5	0,0	0%
Supplementary capital	3,0	3,0	3,0	3,0	3,0	(0,0)	(0%)
Revaluation reserve	0,5	0,1	(0,0)	(0,0)	(0,3)	(0,76)	-
Other reserves	2,8	2,8	2,8	2,8	2,8	0,0	1%
Retained earning	0,6	0,8	0,8	0,6	0,6	(0,0)	(0%)
Total Equity	7,6	7,6	7,6	7,5	7,4	(0,2)	(3%)
	0	0	0				
Total liabilities & equity	60,9	58,8	57,7	60,5	61,9	0,9	2%
	0	0	0	0	0		
Loans / Deposits ratio	51%	51%	48%	46%	49%		
Total Capital Ratio	22,6%	21,4%	20,8%	19,0%	20,1%		
NPL*	4,3%	4,0%	3,9%	3,7%	4,1%		

*as reported, incl. reverse repo