



Bank Handlowy w Warszawie S.A. Consolidated financial results for 2Q 2020

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Bank Handlowy w Warszawie S.A.

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Operating activity

150 years
of progress

2Q 2020 – summary



Priorities for clients

- **Supporting institutional banking clients' liquidity** during the pandemic:
 - PLN 1 billion of new financing for institutional banking clients in Q2'20;
 - The Bank's loan volumes increased by 9% YoY,
- **Increasing the Bank's share** in servicing **companies of the new economy** business model of which is resilient to the challenges of the pandemic;
- Continuation of **development of initiatives** supporting individual clients acquisition **in the new environment**:
 - Opening of another partnership - OBI
 - Every second account opened digitally with the use of "selfie";
 - Increase in transactional current accounts + 27% YoY;
 - Increase in number of clients in the strategic segments (Citigold, CPC, Citi Priority): +28% YoY.



Financial results

- **Net profit in the amount of PLN 89.3 MM;**
- **Stable operating income** despite a decrease in interest income – institutional banking income resilient to the effects of the pandemic;
- One-off increase in operating expenses by 7% YoY, of which 6% YoY growth due to programs improving the **safety of the Bank's employees and investments in technology**;
- **Normalization of the portfolio cost of risk;**
- **Updating macroeconomic forecasts** in credit risk models, which resulted in the creation of a provision in the amount of PLN 84 million.

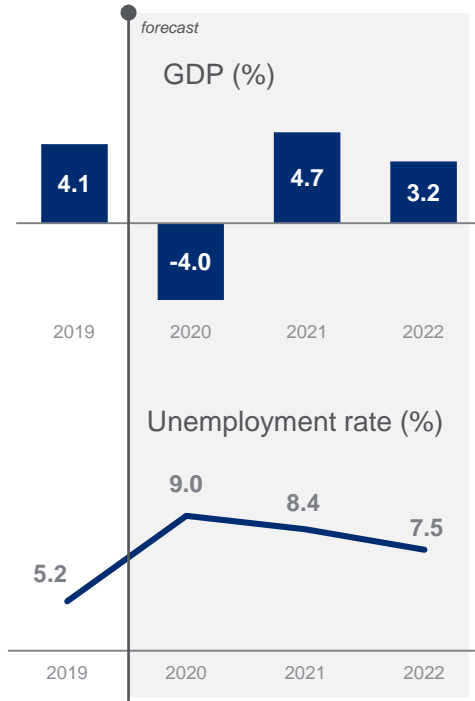


Operational efficiency

- **Ensuring the continuity of business** in remote work environment **and investments in security systems**;
- **Caring for the safety** of clients and employees – 88% of employees gave the Bank a high and very high rating in terms of activities undertaken during COVID-19.

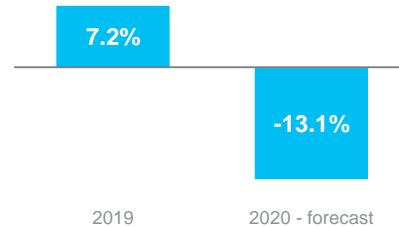
Macroeconomic forecasts

The first recession in Poland in 30 years

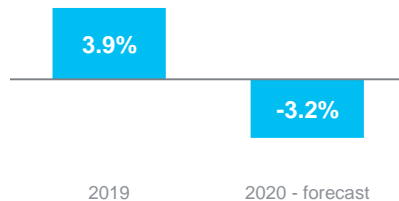


Citi analysts' forecasts

Private investments under pressure...

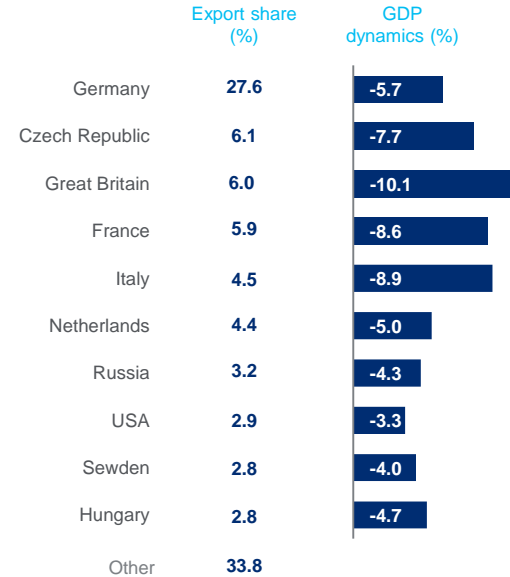


... everything in the consumers' hands.



Top 10 – the largest recipients of Polish goods and services

GDP forecast for 2020

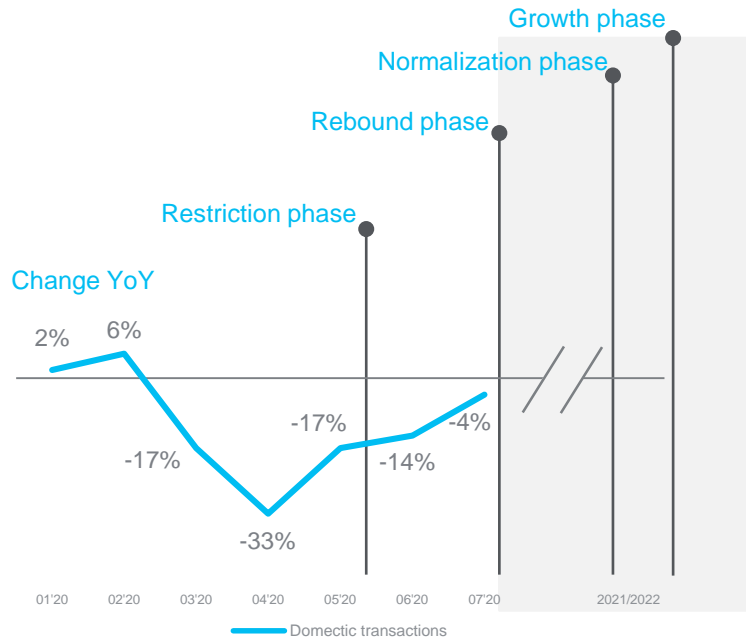


Citi analysts' forecasts, - export structure according to Central Statistical Office data for 2019

Slow return to normal

Private consumption as the main driver of GDP growth in the coming years

Credit cards - transactions of the Bank's clients¹⁾



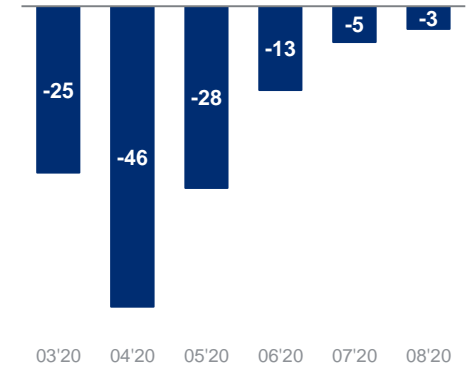
1) Citi Handlowy data 2) Citi data

- Restrictions phase²⁾ – introduction of movement restrictions;
- Rebound phase – removal of restrictions, increase in transaction volume MoM, e.g. May +23% MoM, June +16% MoM;
- Normalization phase – safety in staying in larger groups of people, e.g. in public transport;
- Growth phase – return to pre-pandemic behavior.

Consumer activity

Social Distance Index (%) compared to the base period (median from 01'20 and 02'20)

Lower (or higher) index value means greater (or smaller) social distance



Based on the Google COVID-19 Mobility Report, the index is an average of 4 categories: Retail & Recreation, Transit Station, Workplaces, Grocery & Pharma

Business activity

150lat
postępu

Supporting clients



Building a platform for submitting applications under the Polish Development Fund program

- Through the Bank's online systems - micro, small, medium and large enterprises affected by the COVID-19 pandemic can apply for subsidies under the Financial Shield;
- 99% of applications approved



Temporary deferral of loans - solution for Bank's individual and institutional clients

- Temporary deferral of loan repayment for up to 6 months for individual clients and up to 3 months for institutional clients.

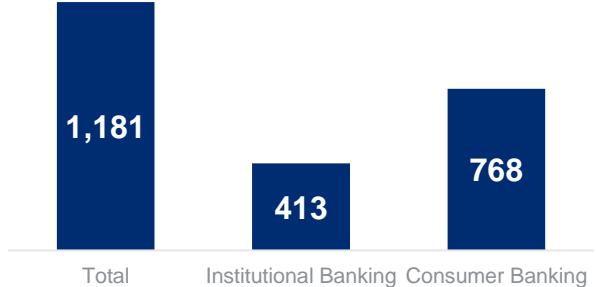


Promoting anti-crisis solutions of the BGK among the Bank's clients

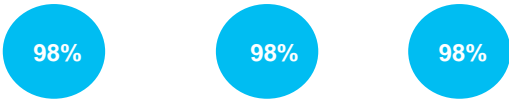
- Providing liquidity to entities in a difficult situation due to COVID-19 by securing up to 80% of the loan amount (from PLN 3.5 MM to PLN 200 MM) for up to 27 months under the Liquidity Guarantee Fund.

Temporary deferral of loans

Granted temporary loan deferrals in the gross loan portfolio as of June 30, 2020 (PLN MM)



Applications accepted

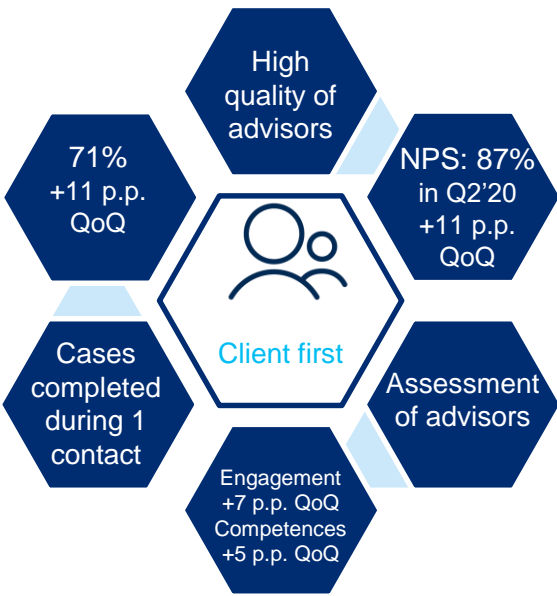


Institutional Banking – confirmation of the Bank’s leading position

Good quarter in Institutional Banking thanks to the accumulated „relationship capital“

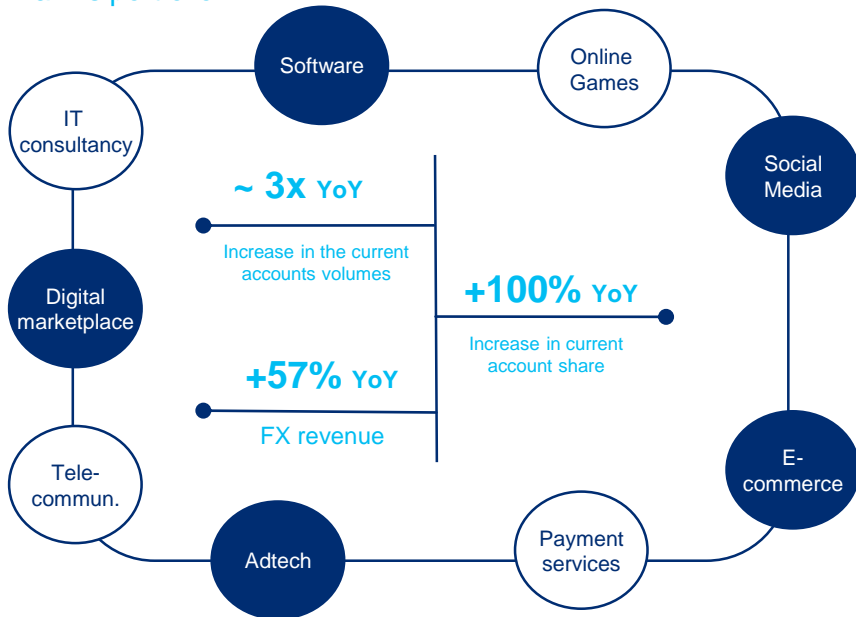
Communication with clients in new environment

Increase in the quality of customer service



Digital clients

Growing share of the "new economy" companies in the Bank's portfolio

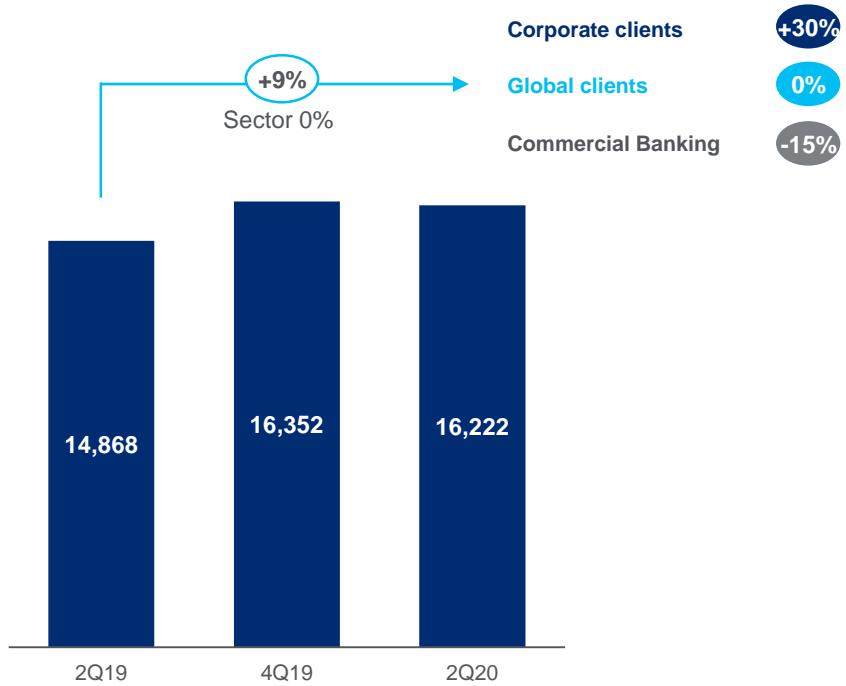


Institutional Banking – loan and deposit volumes

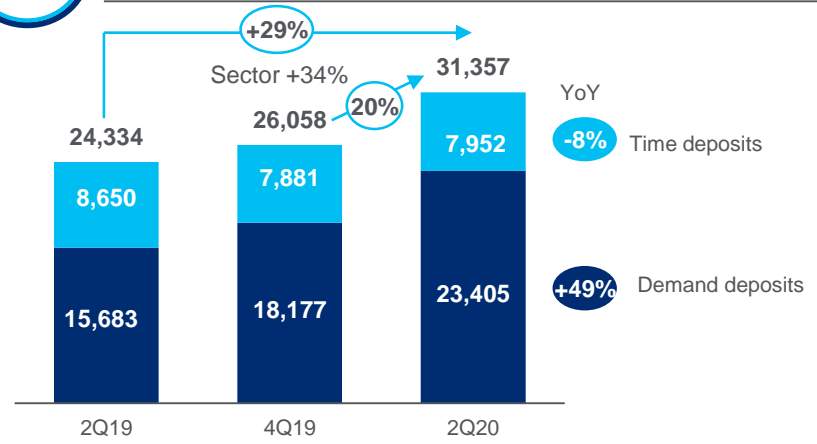


Loan volumes (PLN MM)

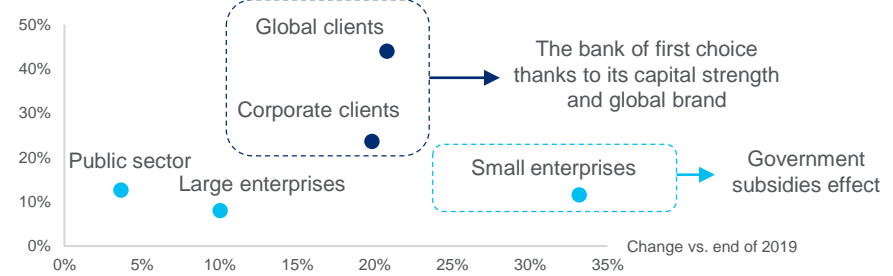
The dynamics of loan volumes higher than in the sector



Deposit volumes (PLN MM)



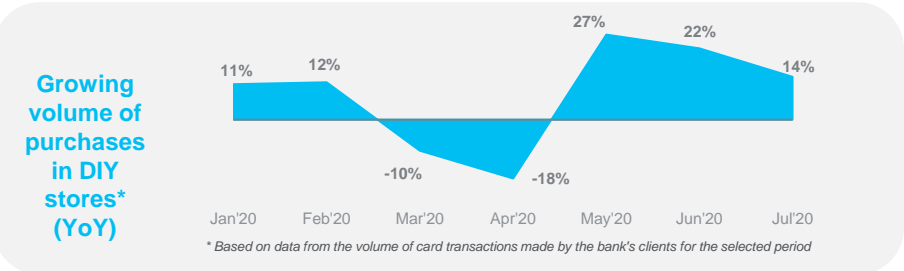
Bank's share in total deposits at the end of 2Q20






Consumer Banking

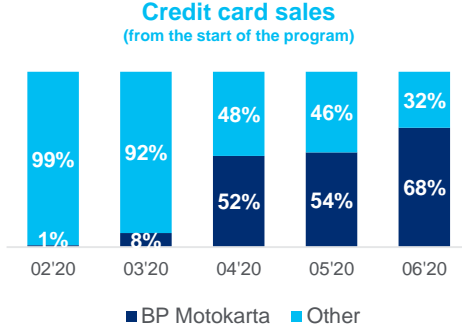
Continuation of the development of partnership-based sales initiatives

Implementation of the strategy based on partnerships




-  A new initiative launched in 60 days
-  177 credit points (self-service and assisted by an advisor)
-  3 clicks to take the loan

Partnerships impact on new sales





The best card award*:

June 2020



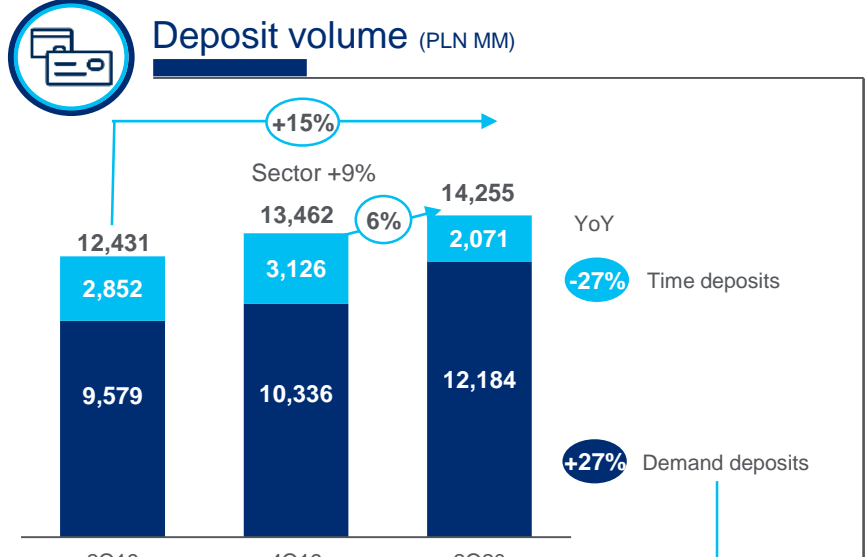
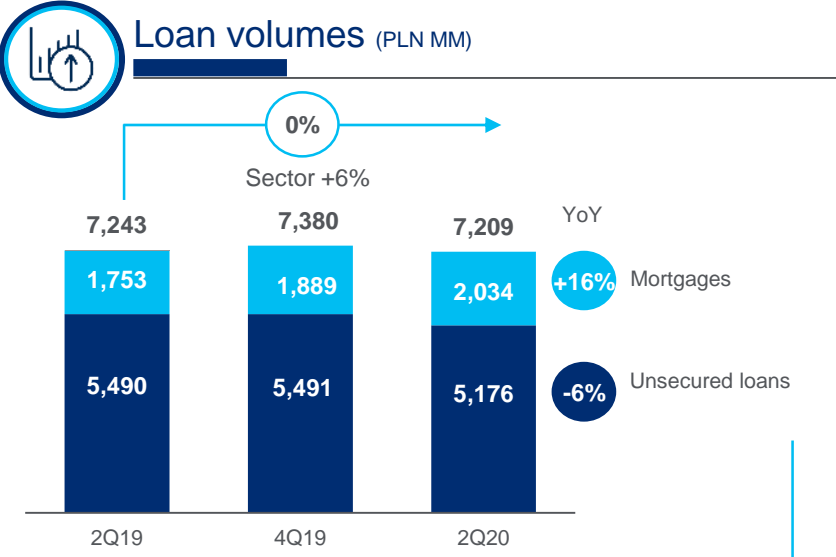
July 2020



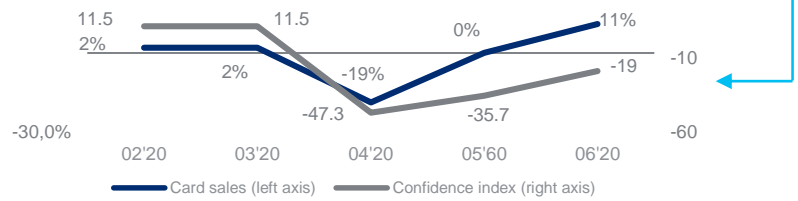


* money.pl ranking

Consumer Banking – loan and deposit volumes



Sales of card loans at the Bank (MoM vs. consumer confidence index*)



Increase in the number of transactional clients

Citi Private Client: +21% YoY

Citigold: +25% YoY

Citi Priority: +29% YoY

* Confidence index based on Central Statistical Office data

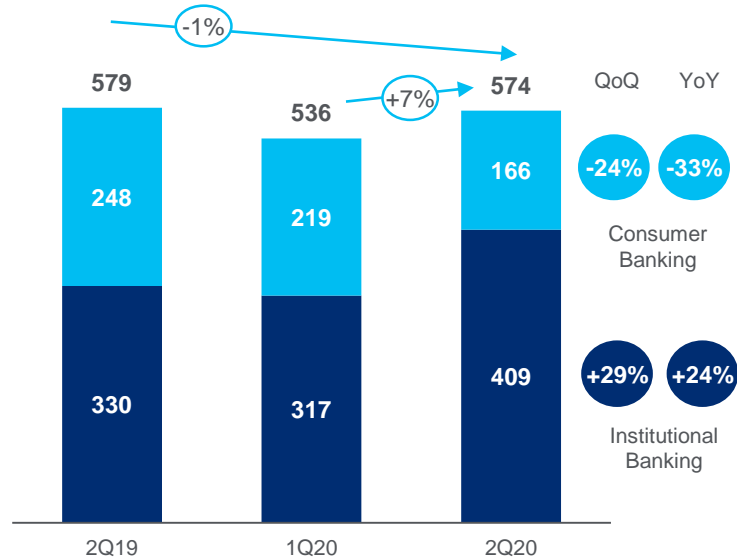
2Q 2020 Financial results

150years
of progress

Revenue

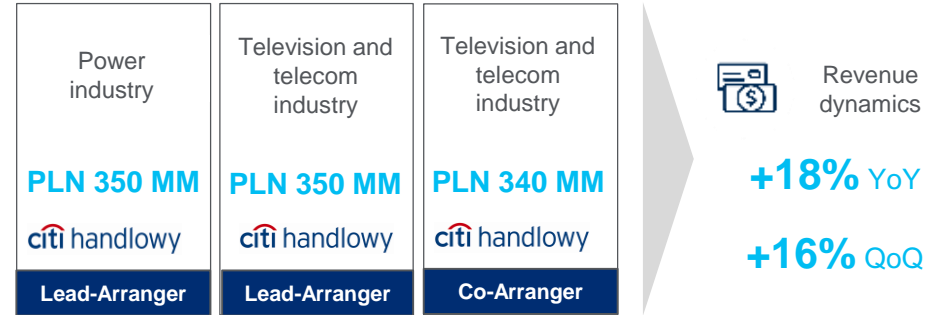
Revenue (PLN MM)

Very high/strong revenue from Institutional Banking

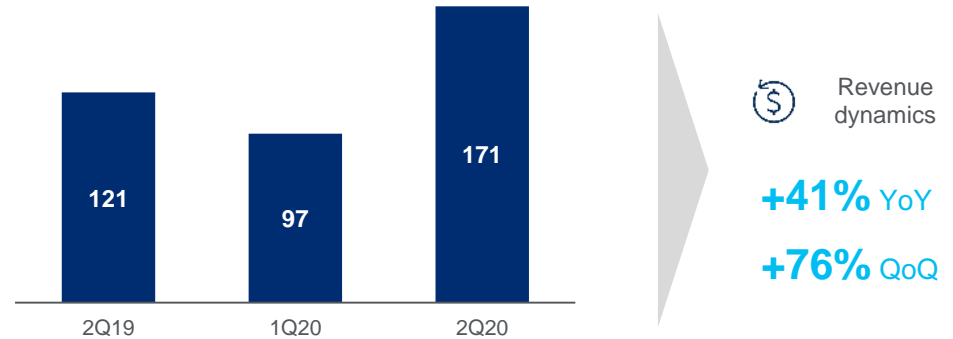


Institutional Banking growth factors

Credit activity



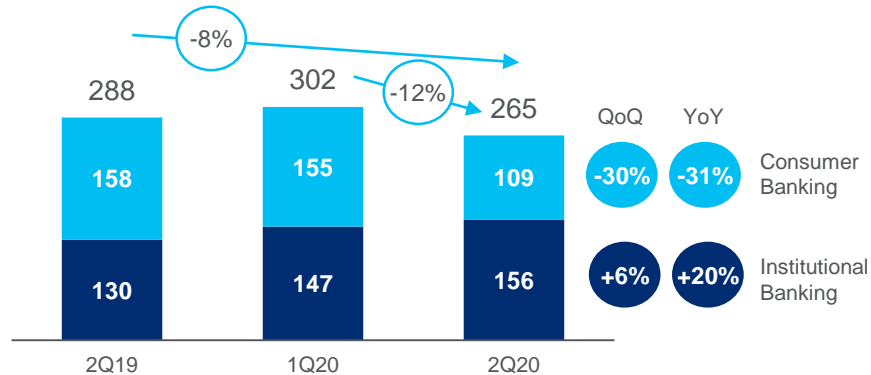
Financial markets activity



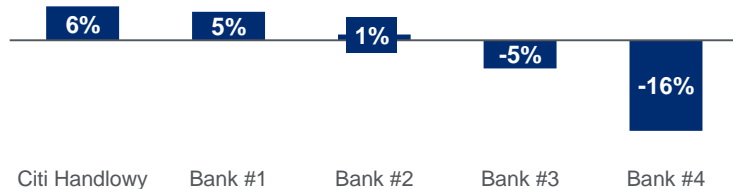
Net Interest Income

Strong client result in Institutional Banking

Net interest income (PLN MM)

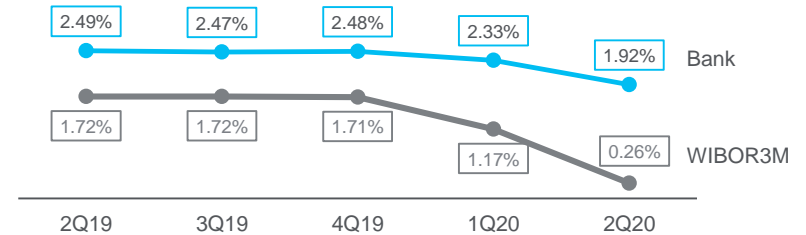


Good dynamics of client result in Institutional Banking
(2Q20/1Q20)



Bank's net interest margin

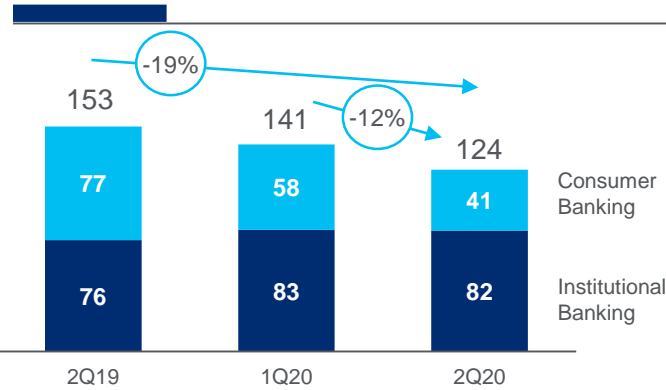
Decrease in the net interest margin due to the reference rate reduction by 140 basis points ...



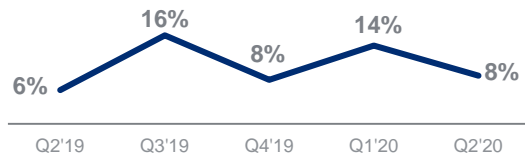
Net Fee & Commission Income

Good trends in Institutional Banking continued

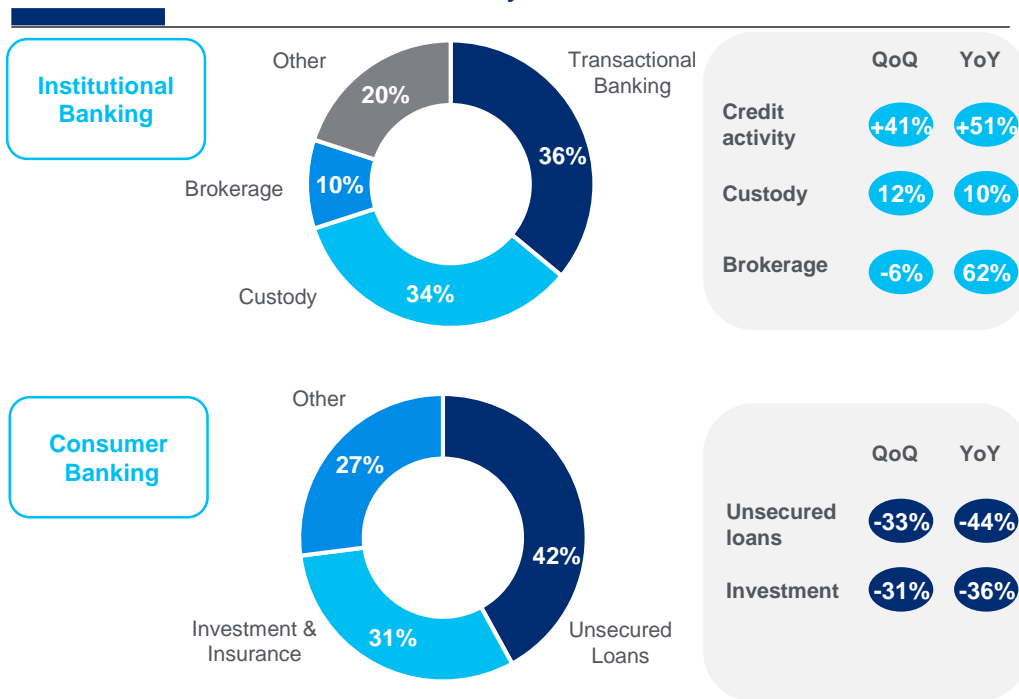
Net fee & commission income (PLN MM)



Strong dynamics of the net fee & commission income of Institutional Banking maintained (YoY)



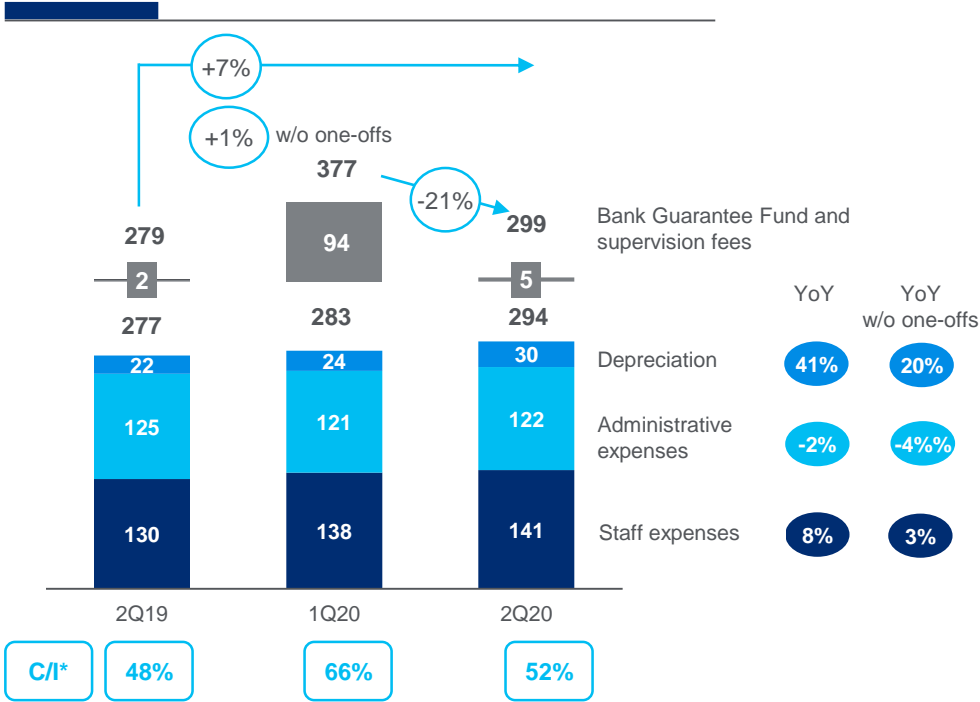
NF&C income structure and dynamics (%)



Operating expenses

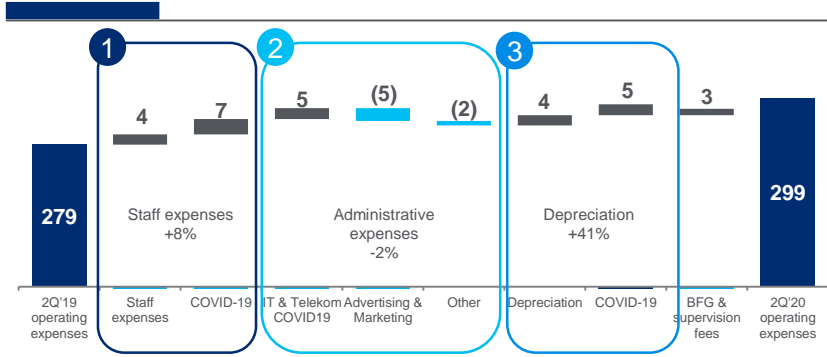
One-off COVID-19 related expenses, investment in safety continued

Operating expenses (PLN MM)



* Amortization of BFG resolution fund fee for the whole year

Expenses structure by type (PLN MM)

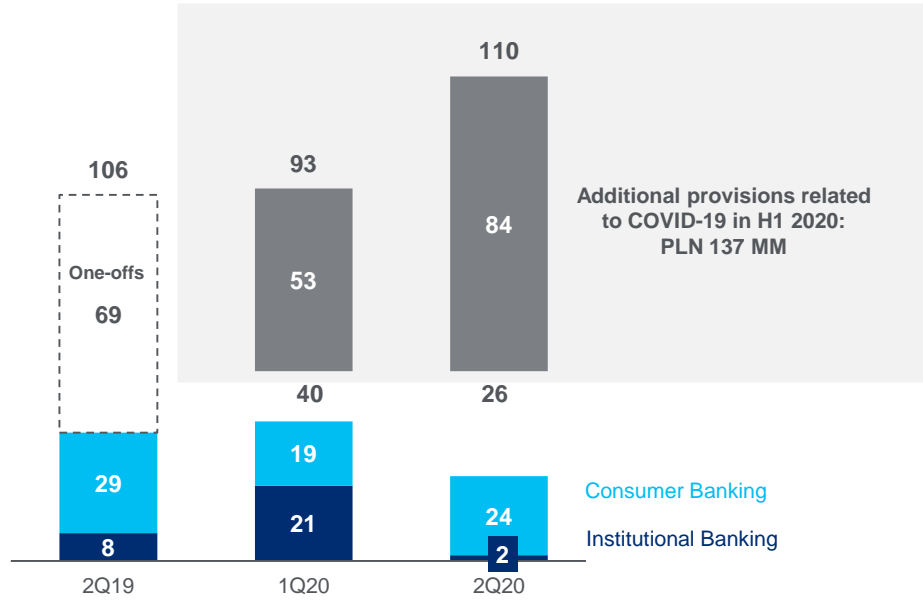


- Staff expenses**
 - One-off benefit for employees with lowest income
 - One-off remuneration bonus for employees who have direct contact with customers
- Administrative expenses**
 - Lower marketing expenses compensating increase in IT expenses
- Depreciation**
 - Investments in remote account opening
 - New tool for online currency sale for individual clients

Cost of Risk

Costs of risk influenced by the revision of macroeconomic forecasts

Cost of Risk of the Group* (PLN MM)



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

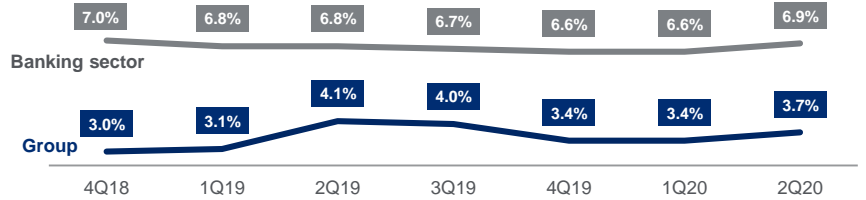
Cost of Risk* (bps)



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

NPL ratio of the Group (%)

Stable level of non-performing loans, significantly below the sector



Returns on equity as a challenge for the banking sector

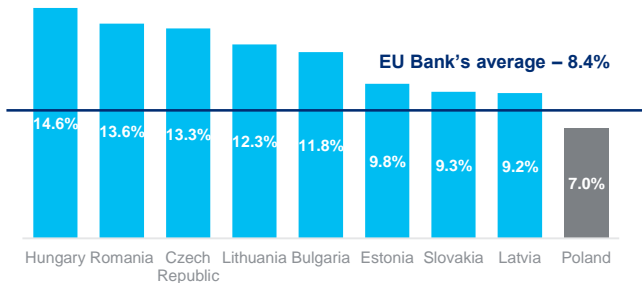
Despite the declining return on equity...

As a result of increasing charges:

- regulatory;
- tax;
- administrative;

...ROE decreases in the Polish sector.

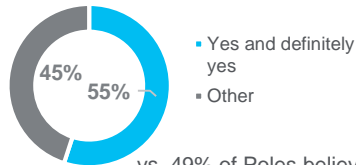
ROE in the Central and Eastern Europe countries



Source: European Banking Federation

...banks continue to invest in new solutions for clients...

Are you satisfied with the technological solutions introduced in your Bank?

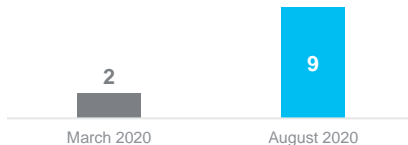


vs. 49% of Poles believe that they are willing to use new technological solutions

Source: ZBP (The Polish Bank Association) and Poles' approach to technology, Satisface

The banking sector was one of the most innovative sectors during the pandemic.

Selfie account - # banks



Source: own elaboration

...but it will have negative consequences for the sector in the long term.

Limiting financing options for the economy

Cost of capital higher than its profitability - decrease of attractiveness for investors additionally strengthened by limiting the possibility of dividend payment

Challenges related to meeting the MREL requirements (over PLN 50 billion needed by 2024).

Appendix

Financial results summary

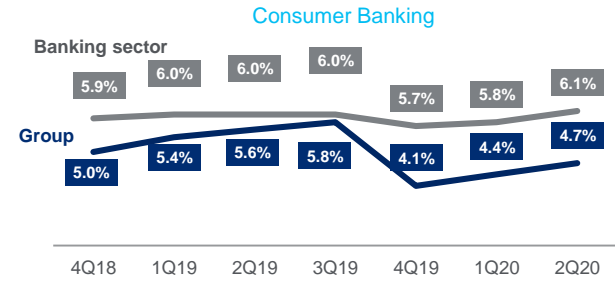
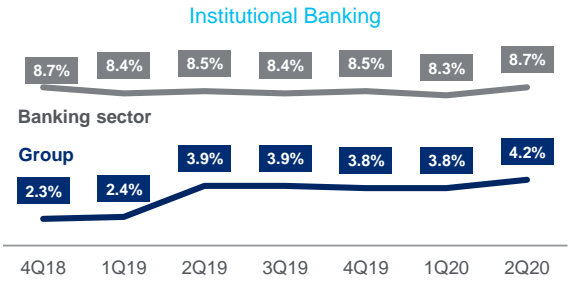
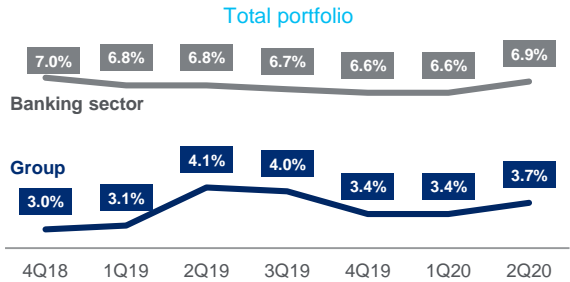
	2Q20	1Q20	ΔQoQ	2Q19	ΔYoY	1H 2020	ΔYoY
Net interest income	265	302	(12%)	288	(8%)	567	0%
Net fee and commission income *	124	141	(12%)	153	(19%)	265	(8%)
Core revenue	389	443	(12%)	442	(12%)	832	(2%)
Treasury	171	97	75%	121	41%	269	11%
Other *	15	(5)	-	16	(7%)	10	(53%)
Total revenue	574	536	7%	579	(1%)	1 110	(0%)
Expenses	299	376	(21%)	279	7%	675	2%
Operating margin	276	159	73%	299	(8%)	435	(4%)
Net impairment losses	110	93	18%	106	3%	203	51%
Profit before tax	133	35	284%	170	(22%)	167	(39%)
Corporate income tax	44	8	426%	37	17%	52	(36%)
Bank levy	33	31	5%	22	46%	64	44%
Effective tax rate	32,8%	23,9%	8,9 pp.	21,8%	11,0 pp.	30,9%	1,5 pp.
Net profit	89	26	239%	133	(33%)	116	(40%)
Return on Equity ¹⁾	5,9%	6,7%	(0,8 pp.)	7,8%	(1,9 pp.)		
Total comprehensive income	309	71	336%	200	-	381	83%
Assets	60 893	62 278	(2%)	51 477	18%		
Net loans	23 431	24 397	(4%)	22 111	6%		
Deposits	45 888	46 011	(%)	37 014	24%		
Loans / Deposits	51%	53%		60%			
TCR	19,9%	17,0%		16,6%			

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

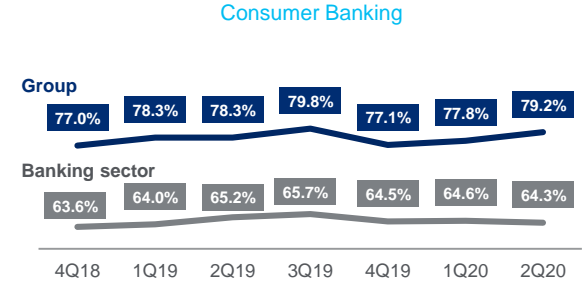
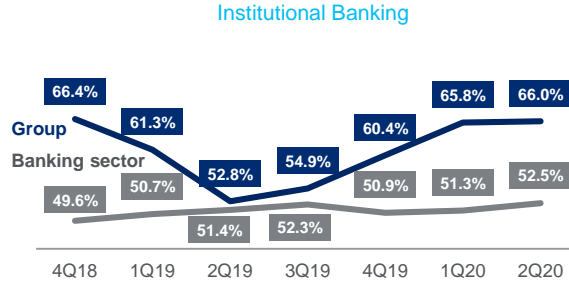
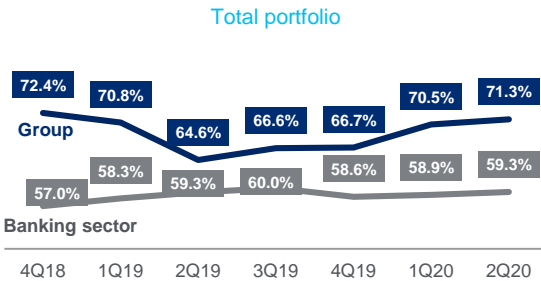
Loan portfolio quality

Quality portfolio ratios remain stable, above banking sector

NPL ratio



Coverage ratio



Total Bank – profit and loss account

PLN MM	2Q19	3Q19	4Q19	1Q20	2Q20	2Q20 vs. 1Q20		2Q20 vs. 2Q19		1H 2019	1H 2020	1H 2020 vs. 1H 2019	
						PLN MM	%	PLN MM	%			PLN MM	%
Net interest income	288	292	296	302	265	(37)	(12%)	(23)	(8%)	566	567	1	0%
Net fee and commission income	153	142	136	141	124	(17)	(12%)	(29)	(19%)	287	265	(22)	(8%)
Dividend income	10	1	0	0	11	11	11115%	2	16%	10	11	2	16%
Net gain on trading financial instruments and revaluation	96	99	93	(7)	102	109	-	5	5%	188	94	(93)	(50%)
Net gain on debt investment financial assets measured at fair value through other comprehensive income	25	19	24	105	69	(35)	(34%)	45	179%	54	174	120	222%
Hedge accounting	(0)	(0)	(2)	(3)	1	4	-	2	-	(1)	(1)	(1)	93%
Treasury	121	118	115	95	172	78	82%	51	42%	241	267	26	11%
Net gain on other equity instruments	7	3	1	(2)	6	8	-	(1)	(20%)	13	4	(9)	(69%)
Net other operating income	(1)	(2)	(1)	(0)	(4)	(4)	965%	(3)	245%	(1)	(4)	(3)	225%
Revenue	579	553	548	536	574	39	7%	(4)	(1%)	1 116	1 110	(5)	(0%)
Expenses	(258)	(255)	(253)	(353)	(269)	84	(24%)	(11)	4%	(621)	(621)	(0)	0%
Depreciation	(22)	(21)	(22)	(24)	(30)	(7)	29%	(9)	41%	(43)	(54)	(11)	27%
Expenses and depreciation	(279)	(276)	(275)	(376)	(299)	77	(21%)	(20)	7%	(663)	(675)	(12)	2%
Operating margin	299	277	273	159	276	116	73%	(24)	(8%)	452	435	(17)	(4%)
Profit/(loss) on sale of tangible fixed assets	(0,0)	(0,3)	(0,1)	(0,4)	(0,0)	0	(95%)	0	(44%)	(0)	(0)	(0)	1171%
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	(106)	(91)	(20)	(93)	(110)	(17)	18%	(4)	3%	(135)	(203)	(69)	51%
Share in profits / (losses) of entities valued at the equity method	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax on certain financial institutions	(22)	(25)	(28)	(31)	(33)	(2)	5%	(10)	46%	(44)	(64)	(19)	44%
EBIT	170	160	225	35	133	98	284%	(37)	(22%)	273	167	(106)	(39%)
Corporate income tax	(37)	(46)	(51)	(8)	(44)	(35)	426%	(6)	17%	(81)	(52)	29	(36%)
Net profit	133	114	174	26	89	63	239%	(44)	(33%)	193	116	(77)	(40%)
C/I ratio	48%	50%	50%	70%	52%					59%	61%		

Institutional Banking – profit and loss account

PLN MM	2Q19	3Q19	4Q19	1Q20	2Q20	2Q20 vs. 1Q20		2Q20 vs. 2Q19		1H 2019	1H 2020	1H 2020 vs. 1H 2019	
						PLN MM	%	PLN MM	%			PLN MM	%
Net interest income	130	129	137	147	156	9	6%	26	20%	249	303	54	22%
Net fee and commission income	76	80	75	83	82	(0)	(1%)	6	8%	149	165	16	11%
Dividend income	1	1	0	0	1	1	3753%	(0)	(7%)	1	1	(0)	(6%)
Net gain on trading financial instruments and revaluation	89	92	86	(16)	94	111	-	5	5%	174	78	(96)	(55%)
Net gain on debt investment financial assets measured at fair value through other comprehensive income	25	19	24	105	69	(35)	(34%)	45	179%	54	174	120	222%
Hedge accounting	(0)	(0)	(2)	(3)	1	4	-	2	-	(1)	(1)	(1)	93%
Treasury	114	111	108	86	165	79	92%	51	45%	227	251	23	10%
Net gain on other equity instruments	6	3	1	(2)	6	8	-	(1)	(8%)	12	4	(8)	(66%)
Net other operating income	3	2	2	3	(2)	(5)	-	(4)	-	6	1	(4)	(75%)
Revenue	330	325	323	317	409	92	29%	78	24%	645	725	81	13%
Expenses	(108)	(109)	(113)	(191)	(120)	72	(37%)	(11)	10%	(311)	(311)	(0)	0%
Depreciation	(5)	(5)	(5)	(6)	(5)	0	(7%)	(0)	8%	(10)	(11)	(1)	12%
Expenses and depreciation	(113)	(114)	(118)	(197)	(125)	72	(37%)	(12)	10%	(321)	(322)	(1)	0%
Operating margin	217	211	205	120	284	164	137%	67	31%	324	403	80	25%
Profit/(loss) on sale of tangible fixed assets	0,0	(0,1)	0,0	-0,1	0,0	0	(88%)	(0)	-	0	0	(0)	-
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	(77)	(76)	(10)	(57)	(81)	(24)	43%	(4)	5%	(82)	(138)	(56)	68%
Tax on certain financial institutions	(16)	(19)	(22)	(24)	(26)	(2)	8%	(10)	63%	(32)	(51)	(19)	58%
Share in profits / (losses) of entities valued at the equity method	-	-	-	-	-	-	-	-	-	-	-	-	-
EBIT	123	116	173	38	176	137	357%	53	43%	209	214	5	2%
C/I ratio	34%	35%	36%	62%	31%					50%	44%		

Consumer Banking – profit and loss account

PLN MM	2Q19	3Q19	4Q19	1Q20	2Q20	2Q20 vs. 1Q20		2Q20 vs. 2Q19		1H 2019	1H 2020	1H 2020 vs. 1H 2019	
						PLN MM	%	PLN MM	%			PLN MM	%
Net interest income	158	162	160	155	109	(46)	(30%)	(49)	(31%)	317	264	(52)	(17%)
Net fee and commission income	77	62	61	58	41	(17)	(29%)	(36)	(46%)	138	100	(39)	(28%)
Dividend income	9	-	0	0	10	10	14225%	2	19%	9	10	2	19%
Net gain on trading financial instruments and revaluation	7	7	7	9	7	(2)	(18%)	0	5%	14	16	3	21%
Net gain on other equity instruments	1	-	-	-	-	-	-	(1)	(100%)	1	-	(1)	(100%)
Net other operating income	(4)	(4)	(3)	(4)	(2)	1	(37%)	2	(40%)	(7)	(6)	1	-19%
Revenue	248	228	225	219	166	(53)	(24%)	(82)	(33%)	470	385	(85)	(18%)
Expenses	(149)	(146)	(140)	(161)	(149)	13	(8%)	1	(0%)	(310)	(310)	(0)	0%
Depreciation	(17)	(17)	(17)	(18)	(25)	(7)	41%	(8)	51%	(33)	(43)	(10)	31%
Expenses and depreciation	(166)	(162)	(157)	(179)	(174)	5	(3%)	(8)	5%	(343)	(353)	(11)	3%
Operating margin	82	65	68	40	(8)	(48)	-	(90)	-	128	32	(96)	(75%)
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	(29)	(15)	(9)	(37)	(29)	8	(21%)	0	(1%)	(53)	(66)	(13)	24%
Tax on certain financial institutions	(6)	(6)	(6)	(7)	(6)	0	(6%)	(0)	1%	(12)	(13)	(1)	7%
EBIT	47	44	52	(4)	(43)	(39)	0%	(90)	-	64	(47)	(111)	-
C/I ratio	67%	71%	70%	82%	105%					73%	92%		

Balance Sheet – assets

PLN B	End of period					2Q20 vs. 4Q19		2Q20 vs. 2Q19	
	2Q19	3Q19	4Q19	1Q20	2Q20	PLN B	%	PLN B	%
Cash and balances with the Central Bank	0,4	3,4	3,7	0,6	2,2	(1,5)	(41%)	1,8	489%
Amounts due from banks	1,0	0,9	1,2	2,0	0,8	(0,4)	(30%)	(0,1)	(15%)
Financial assets held-for-trading	5,7	5,3	5,4	9,2	6,7	1,2	23%	1,0	18%
Debt financial asstes measured at fair value through other comprehensive income	19,8	16,6	15,5	23,5	25,3	9,8	63%	5,4	27%
Customer loans	22,1	23,3	23,7	24,4	23,4	(0,3)	(1%)	1,3	6%
Financial sector entities	2,1	2,9	3,2	3,5	4,0	0,9	28%	1,9	93%
including reverse repo receivables	0,0	0,3	0,0	-	0,0	0,0	15%	0,0	347%
Non-financial sector entities	20,0	20,4	20,6	20,8	19,4	(1,2)	(6%)	(0,6)	(3%)
Institutional Banking	12,8	13,0	13,2	13,6	12,2	(1,0)	(8%)	(0,6)	(5%)
Consumer Banking	7,2	7,4	7,4	7,2	7,2	(0,2)	(2%)	(0,0)	(0%)
Unsecured receivables	5,5	5,5	5,5	5,3	5,2	(0,3)	(6%)	(0,3)	(6%)
Credit cards	2,7	2,7	2,8	2,7	2,5	(0,3)	(9%)	(0,2)	(8%)
Cash loans	2,7	2,7	2,7	2,8	2,6	(0,1)	(2%)	(0,1)	(4%)
Other unsecured receivables	0,0	0,1	0,0	0,0	0,0	(0,0)	(3%)	(0,0)	(0%)
Mortgage	1,8	1,8	1,9	2,0	2,0	0,1	8%	0,3	16%
Other assets	2,5	2,4	2,4	2,5	2,5	0,1	3%	(0,0)	(1%)
Total assets	51,5	52,0	52,0	62,3	60,9	8,9	17%	9,4	18%

Balance Sheet – liabilities and equity

PLN B	End of period					2Q20 vs. 4Q19		2Q20 vs. 2Q19	
	2Q19	3Q19	4Q19	1Q20	2Q20	PLN B	%	PLN B	%
Liabilities due to banks	4,3	5,0	2,1	3,7	2,5	0,4	18%	(1,8)	(42%)
Financial liabilities held-for-trading	1,7	2,0	1,9	4,0	3,6	1,7	91%	1,8	106%
Financial liabilities due to customers	37,0	36,4	39,8	46,0	45,9	6,1	15%	8,9	24%
Financial sector entities - deposits	6,6	4,6	4,6	6,8	5,8	1,3	28%	(0,8)	(12%)
Non-financial sector entities - deposits	30,1	31,5	35,0	38,7	39,8	4,8	14%	9,7	32%
Institutional Banking	17,7	18,3	21,5	24,4	25,5	4,0	19%	7,8	44%
Consumer Banking	12,4	13,2	13,5	14,3	14,3	0,8	6%	1,8	15%
Other liabilities	1,6	1,6	1,1	1,4	1,4	0,3	30%	(0,2)	(10%)
Total liabilities	44,7	45,0	44,9	55,1	53,4	8,5	19%	8,7	20%
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	0,1	0,1	0,2	0,4	0,26	230%	0,28	280%
Other reserves	2,9	2,9	2,9	2,9	2,8	(0,1)	(3%)	(0,1)	(3%)
Retained earning	0,3	0,4	0,6	0,6	0,8	0,2	33%	0,5	171%
Total Equity	6,8	6,9	7,1	7,1	7,5	0,4	5%	0,7	10%
Total liabilities & equity	51,5	51,9	52,0	62,3	60,9	8,9	17%	9,4	18%
Loans / Deposits ratio	60%	64%	60%	53%	51%				
Total Capital Ratio	16,6%	16,3%	17,2%	17,0%	20,0%				
NPL*	4,1%	4,0%	3,4%	3,4%	3,7%				

*as reported, incl. reverse repo