



Bank Handlowy w Warszawie S.A.

Consolidated financial results for 3Q 2020

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of progress

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Bank Handlowy w Warszawie S.A.



Operating activity

150 years
of progress

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3Q 2020 - summary



Priorities
to clients

#1 Institutional Banking on Polish market

- **Leveraging global experience in execution of transformational deals – emergence of new winners in current environment:** Citi Handlowy #1 in Dealogic investment banking ranking;
- **Gaining market share in Equity Capital Markets transactions:** acting as a Joint Book Runner in the largest ever IPO on WSE;
- **Continued digitization of services based on international infrastructure :** integration of client's ERP systems with Bank's systems based on Open APIs

Institutional and Consumer Banking Partnership

- **Utilization of expert knowledge in Institutional Banking:** Citi Kantor – new FX platform for retail customers connected with digital account (more than 3 thousand new accounts opened in September using biometrics);
- **Increase of Private Banking customer base i.a. by owners of new economy companies:** investment products sale +17% YoY, CPC and Citigold customers number growth by 10% YoY



Financial results

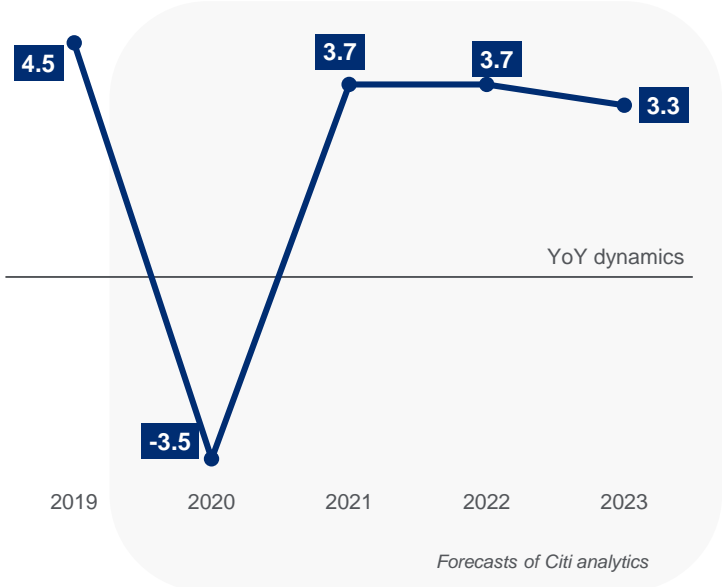
- **Net income of the Bank** amounted to PLN 115 MM;
- **Total revenue** affected by net interest income decrease (PLN -78 MM YoY), accompanied by equity revaluation reserve increase (PLN +246 MM YoY);
- **Net fee and commission income rebound** (+11% QoQ), as a result of higher activity of retail customers and transactions executed in Institutional Clients segment;
- **High operational efficiency despite investment in new solutions for clients** – expenses amounted to PLN 271 MM (-2% YoY and -9% QoQ);
- Cost of risk affected by **loan portfolio's quality improvement.**

Macroeconomic environment

In reaction to changes in economic environment companies are preparing the business transformation strategies

Gross Domestic Product (%) – Poland

Economic revival in 2021 as a chance for companies



Megatrends regarding companies transformation

- 1 M&A transactions**
25% out of 900 CFO consider that, M&A transactions create a chance for revenue rebound or growth ¹⁾ +28% YoY increased global bank revenues in investment banking ²⁾
- 2 Debt restructuring**
+20% YoY will increase the corporate bonds issue in 2020 comparing to 2019 ³⁾
- 3 Online platforms – shift from single branches towards ecosystems**
Amazon model consists of 29 branches, in order to fulfil all customer needs.

1) Global M&A Industry Trends – PWC 2) own calculations on the basis of JPM, BofA, Citi, UBS, Barclays 3) On the basis of SPGlobal

Institutional Banking

Citi Handlowy ready to support clients in their transformations

Corporate Banking #1 in Central and East Europe

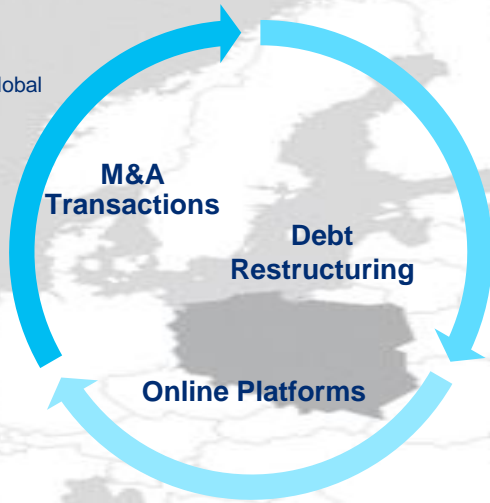
Ranking „Overall”: #1 Citi Handlowy & Citi #2 Santander #3 JPM

Ranking „CMO”: #1 Citi Handlowy & Citi #2 BAML #3 PKO

- Connection of local expertise and good relations with clients with global capabilities of parent company;
- Ability to offer full scope of hedging transactions (interest rate and FX);
- Cooperation with infrastructural and private equity funds on local and global level;
- Offering transactions settlement through local custody business as well as Citi global settlement systems (incl. agency, trust).

Provision of „straight-through” technical infrastructure for clients

FX hedging transactions automation



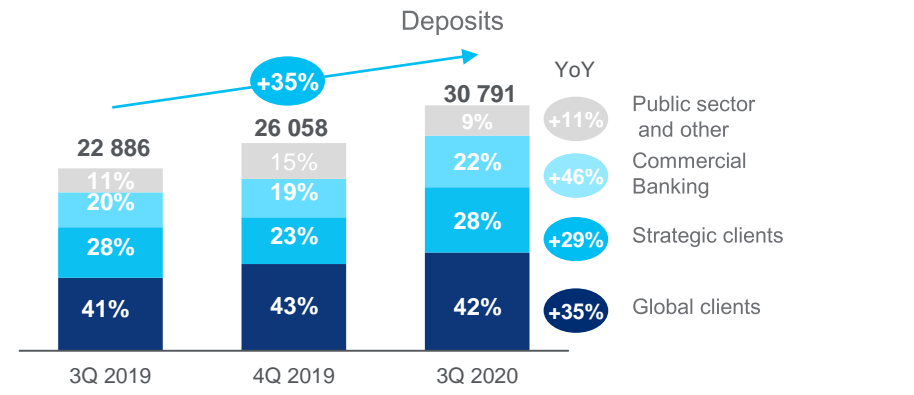
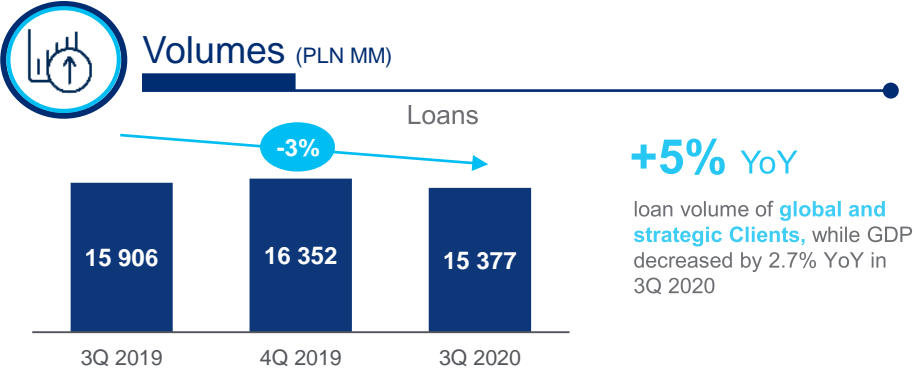
Citi Handlowy co-arranged more than PLN 16 B financing in Q3'20

- allegro**
 IPO
PLN 9.2 B
 Citi Handlowy
Joint Book Runner
- Oil industry
 Syndicate loan
EUR 1.7 B
 Citi Handlowy
Joint Book Runner

- Packages producer
 HY Bonds
USD 1.1 B
 Citi Handlowy
Joint Global Coordinator

Institutional Banking – loan and deposit volumes

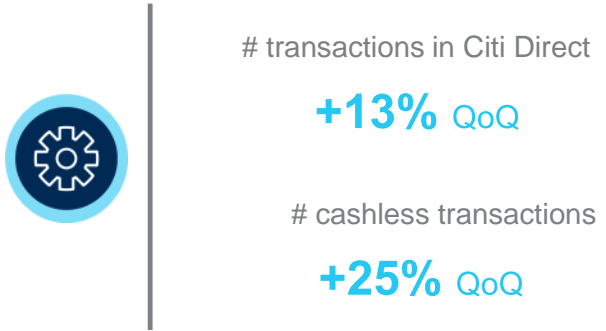
Bank of the first choice for strategic and global companies



FX Volumes



Transactional Banking



Consumer Banking

Citi Kantor – utilization of expertize from Institutional Banking



Online shopping



Investments



FX loans repayments



- **Easy access to Citi Kantor:** by Citi Mobile app or CitiBank Online platform
- **Currencies exchange at rates competitive to internet FX platforms**
- **Currencies purchase and disposal** at FX rate set by client (Order Watch service)



FX volume



Revenue



Strategic client base growth



Citi Private Client



Citigold



Citi Priority

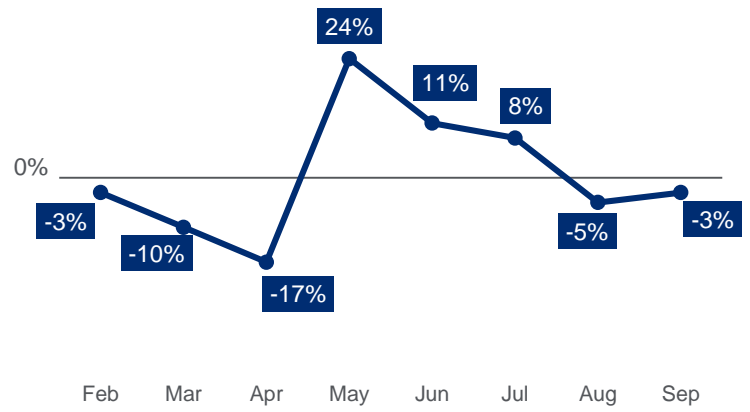
Retail customers activity – transactions growth in 3Q



Credit cards

Customer activity rebound in 3Q, from the lowest point in April...

Domestic spending month over month



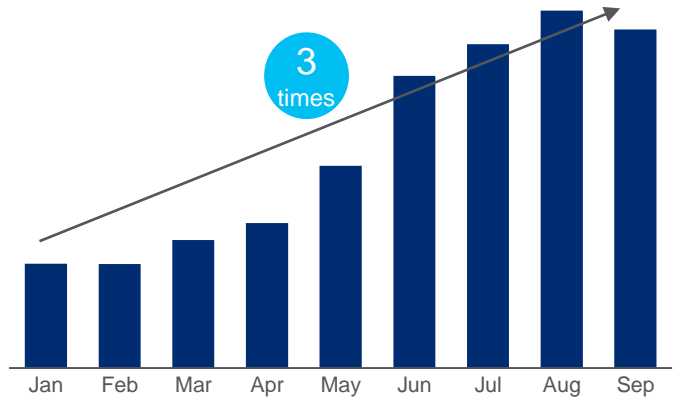
Foreign spending +62% QoQ, on the other hand, still below last year's levels,



Wallet Pay

...supported by record high growth of Apple Pay and Google Pay payment volume.

Spending volumes 2020



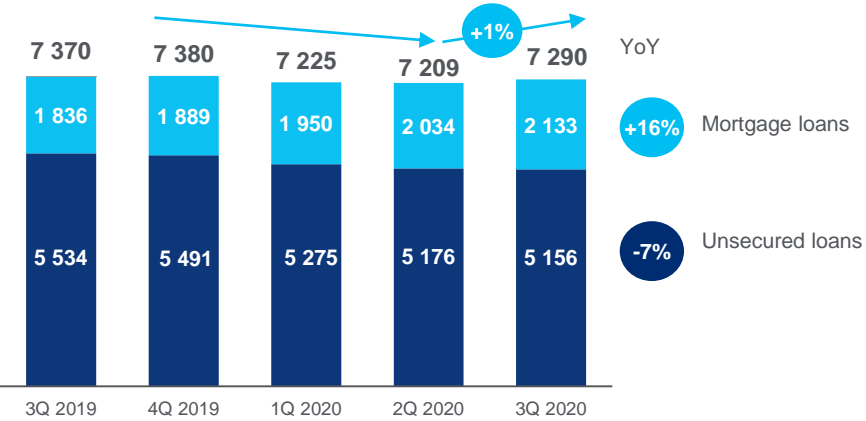
Single transaction value increased from PLN 68 in January 2020 to PLN 85 in September.

Consumer Banking – loan and deposit volumes

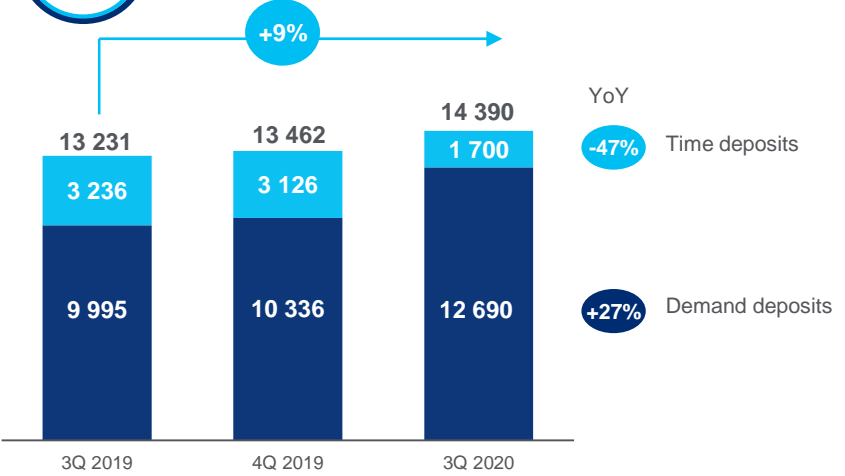


Loan volumes (PLN MM)

Loan volume rebound



Deposit volumes (PLN MM)



Investment products
+3% QoQ AuM
+17% YoY sale



Investment accounts
+9% YoY

Financial Results

#CitiVolunteer

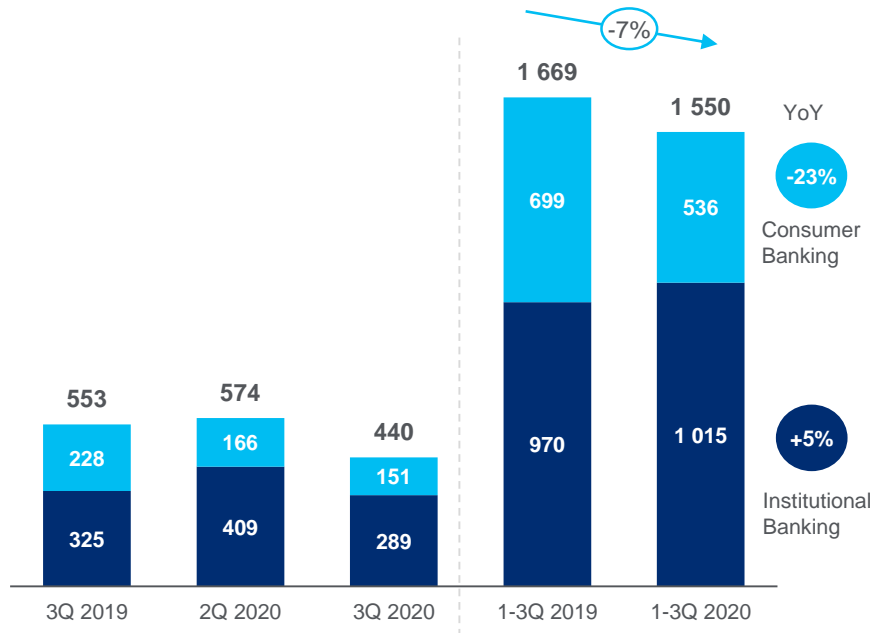
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Revenue

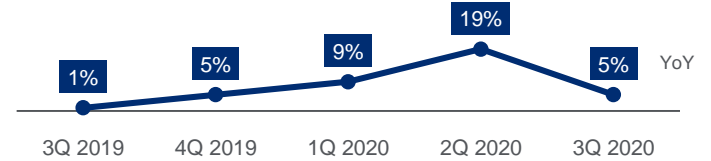
Revenue – segment split (PLN MM)

Institutional Banking more resilient to slowdown



Institutional Banking revenues

Dynamics (YoY) – Institutional Banking client revenues*



Institutional Banking business growth

Institutional Banking client revenues split by business (YoY) (management view)

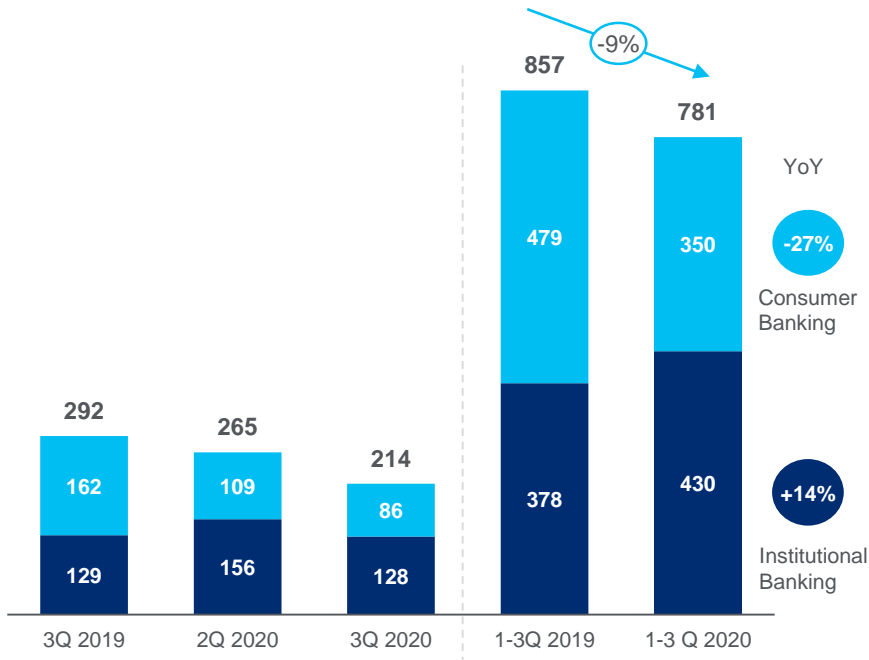


*Client revenue: net income on loans and net fees and commission income

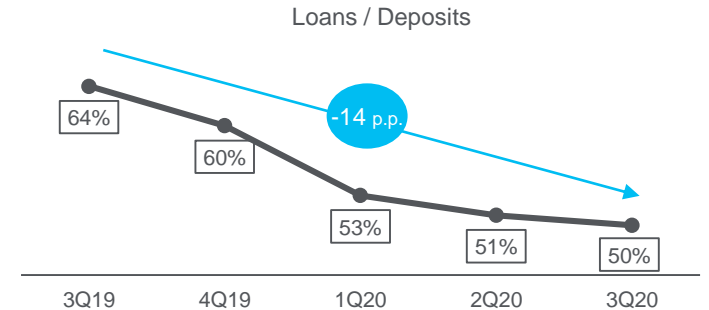
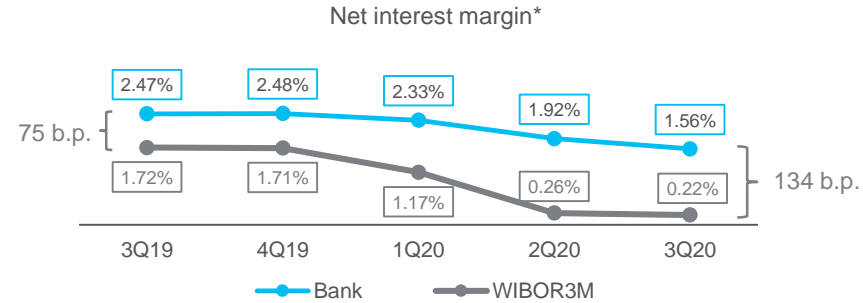
Net interest income

Net interest income – segment split (PLN MM)

Positive dynamics of net interest income in Institutional Banking



Net interest margin

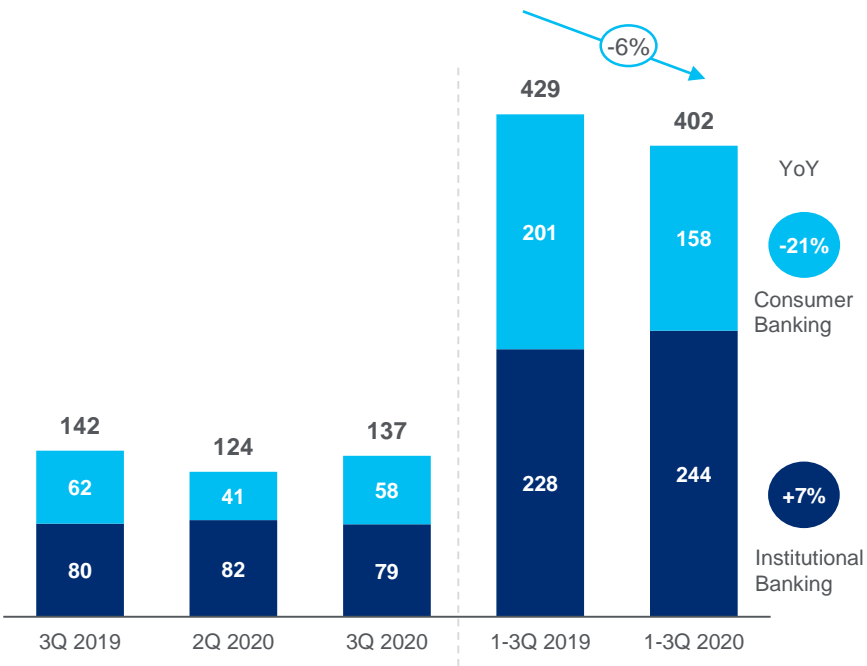


* NIM corrected by PLN 17 MM of prepaid loans

Net Fee & Commission Income

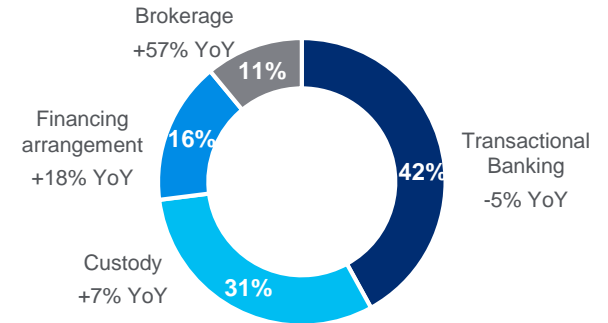
NFC&I – segment split (PLN MM)

Strong NFC&I in Institutional Banking regular business: custody and financing arrangement

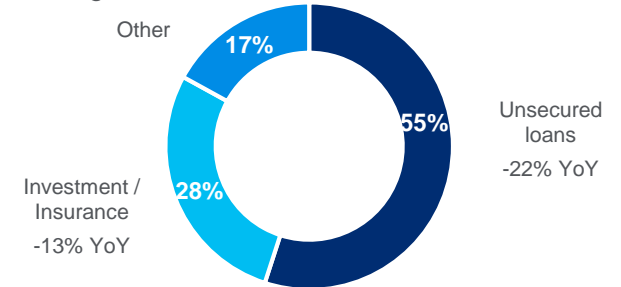


NF&C income structure and dynamics (1-3Q 2020)

Institutional Banking

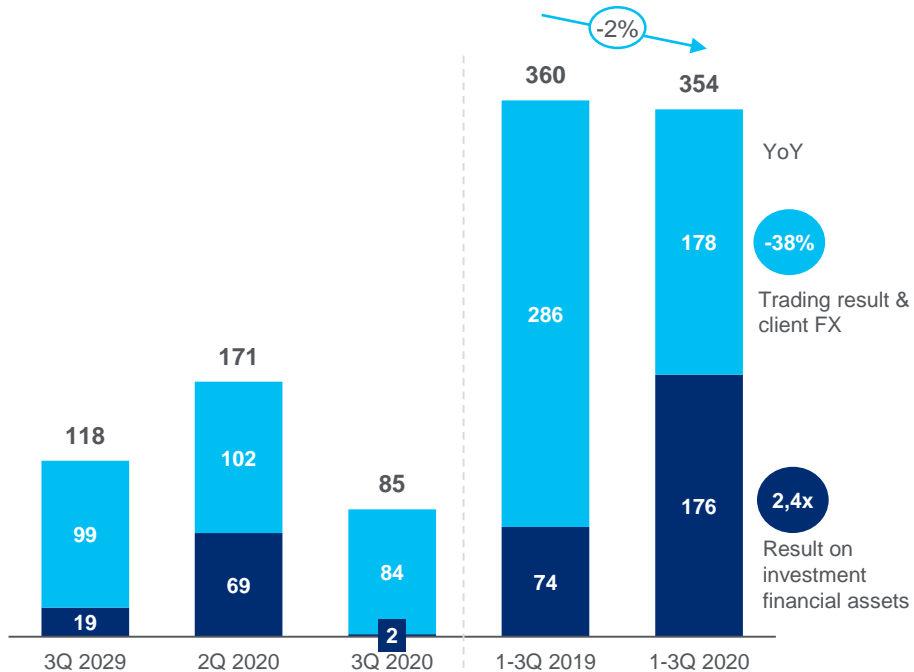


Consumer Banking

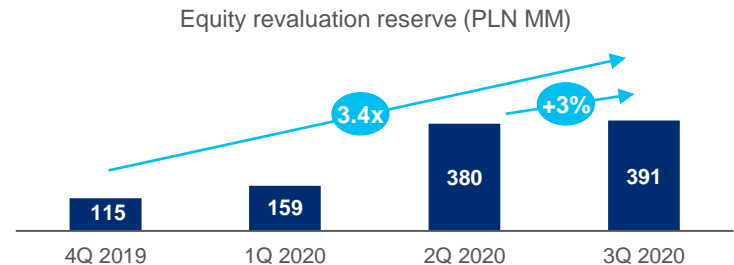
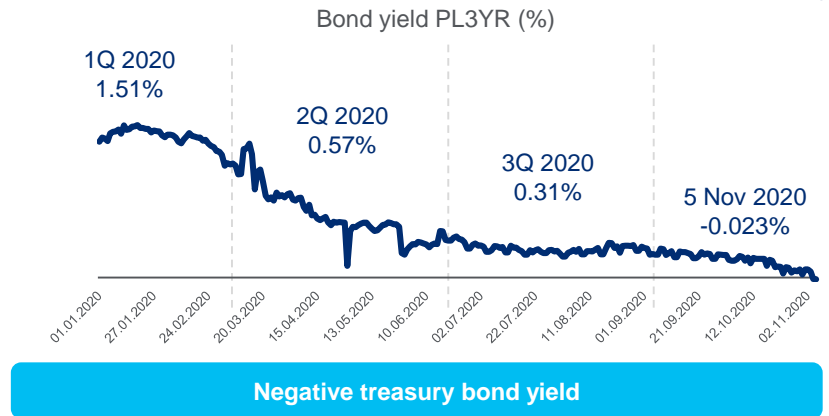


Treasury

Treasury result (PLN MM)



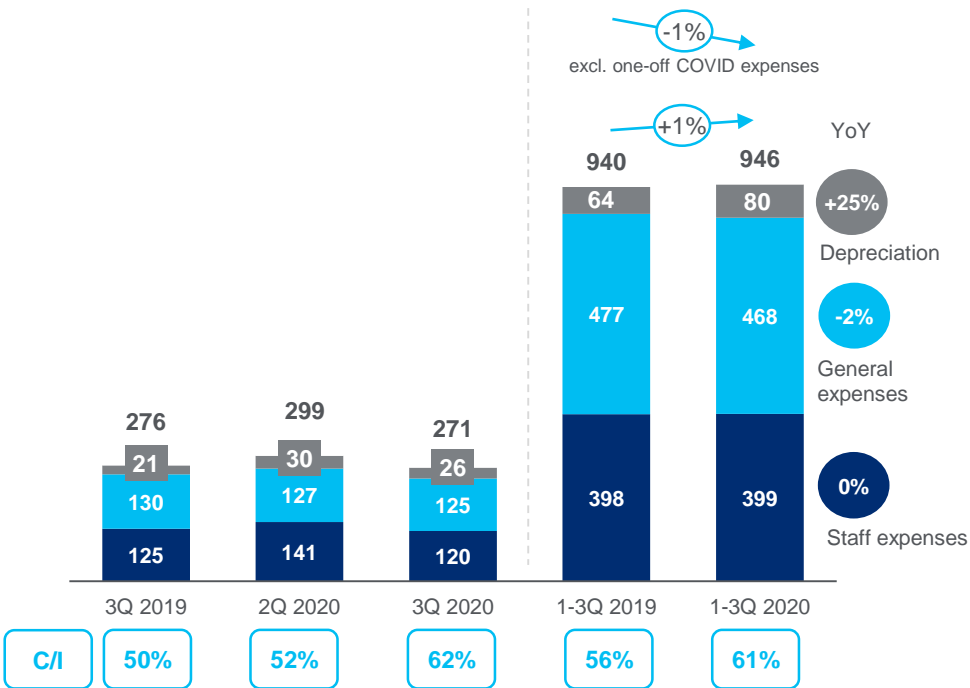
Treasury bonds



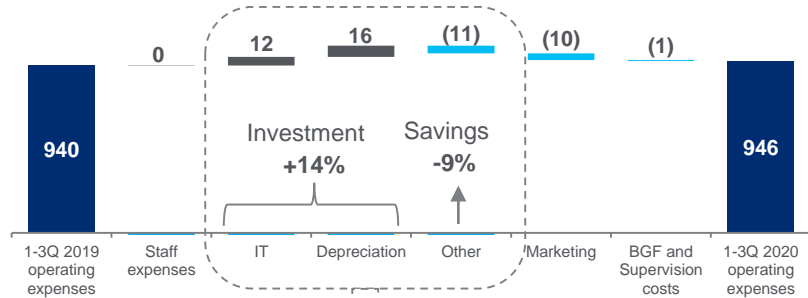
Expenses

Operating expenses (PLN MM)

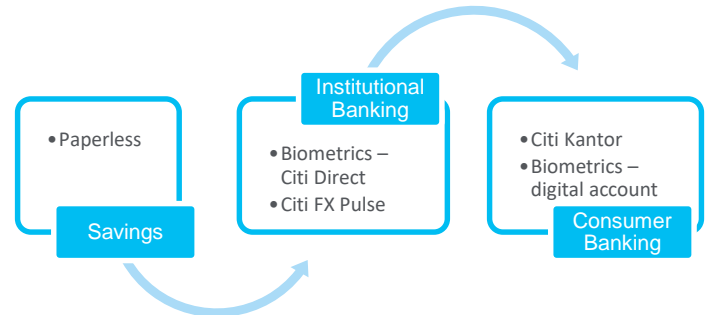
Expenses under control despite permanent investment in client business development



Expenses structure by type (PLN MM)



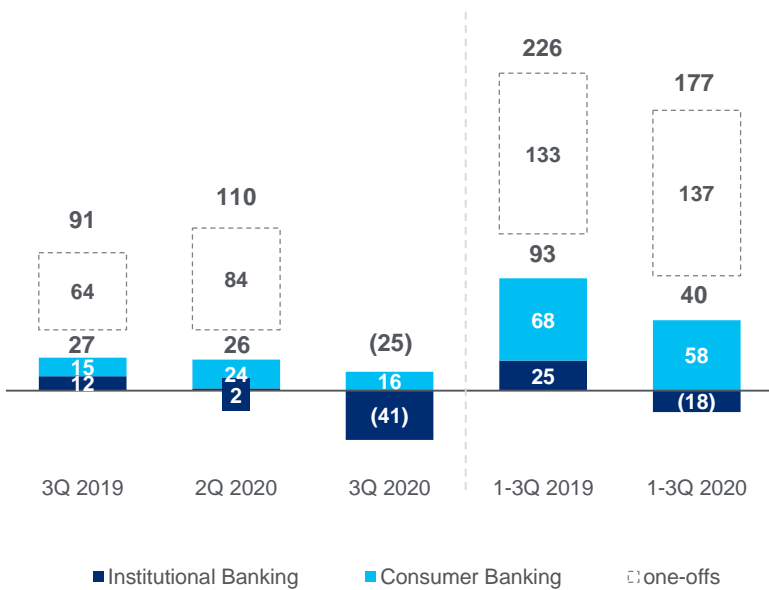
Expenses management model: savings resulting from digitization are invested in "front-end" technology



Cost of Risk

Cost of Risk of the Group* (PLN MM)

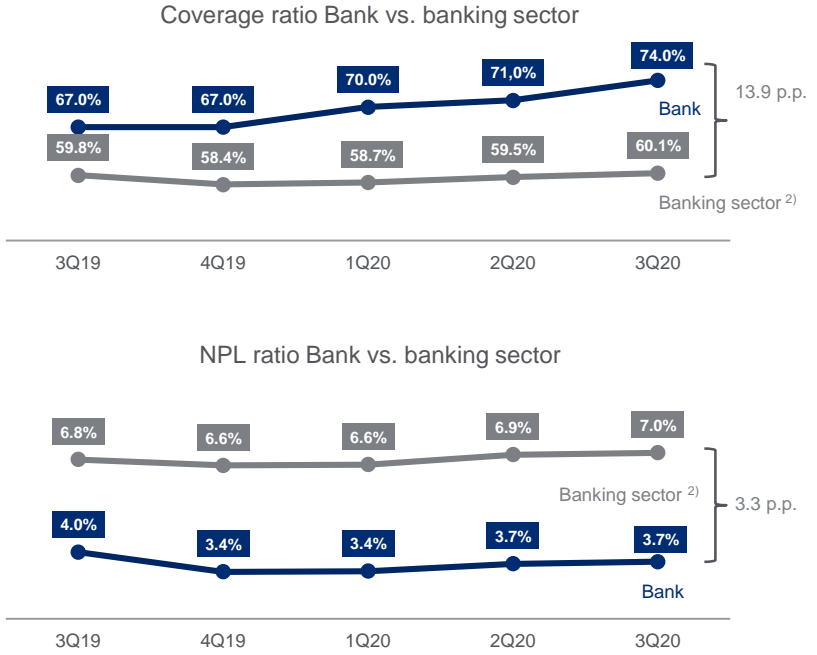
Significant quality improvement in Institutional Banking



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

Loan portfolio quality ratios

The quality of the Bank's portfolio significantly better than sector



²⁾ Data for the banking sector for Q3 2020 refer to August

Financial results summary

	3Q20	2Q20	Δ QoQ	3Q19	Δ YoY	1Q-3Q20	Δ YoY
Net interest income	214	265	(19%)	292	(27%)	781	(9%)
Net fee and commission income	137	124	11%	142	(3%)	402	(6%)
Core revenue	351	389	(10%)	433	(19%)	1,183	(8%)
Treasury	85	171	(50%)	118	(28%)	354	(2%)
Other	4	15	(73%)	2	154%	14	(39%)
Total revenue	440	574	(23%)	553	(20%)	1,550	(7%)
Expenses	271	299	(9%)	276	(2%)	946	1%
Operating margin	169	276	(39%)	277	(39%)	604	(17%)
Net impairment losses ¹⁾	(25)	110	-	91	-	178	(21%)
Profit before tax	166	133	25%	160	4%	333	(23%)
Corporate income tax	51	44	17%	46	10%	103	(19%)
Bank levy	29	33	(11%)	25	14%	93	33%
<i>Effective tax rate</i>	30.7%	32.8%	(2.1 pp.)	28.9%	1.8 pp.	30.8%	1.6 pp.
Net profit	115	89	28%	114	1%	230	(25%)
<i>Return on Equity ²⁾</i>	5.7%	5.9%	(0.1 pp.)	7.0%	(1.2 pp.)		
Total comprehensive income	126	309	(59%)	158	(20%)	507	38%
Assets	60,202	60,893	(1%)	51,979	16%		
Net loans	22,667	23,431	(3%)	23,276	(3%)		
Deposits	45,615	45,888	(1%)	36,443	25%		
Loans / Deposits	50%	51%		64%			
TCR	20.4%	19.9%		16.3%			

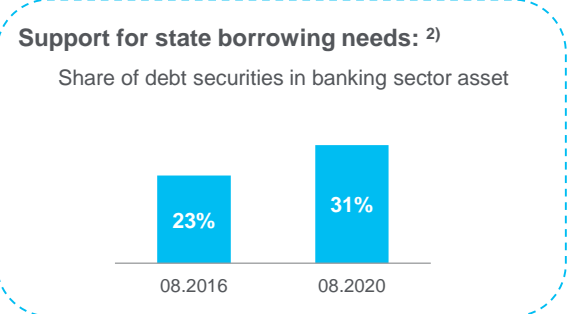
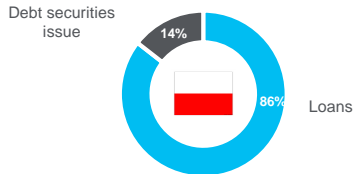
1) Negative value stands for positive impact on P&L

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

Tax burden on banking sector

Banks play key role in economic growth...

Economy financing: loans constitutes key tool in financing of Polish enterprises (external liabilities):¹⁾



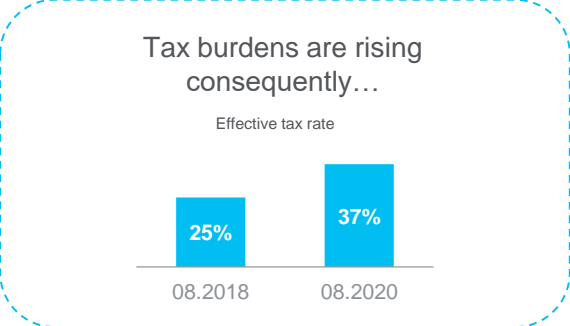
...they invest in advanced solutions...

- 9% - average annual increase of expenses on innovation in commercial banks in 2016 – 2019. ³⁾
- Modern IT infrastructure, acting as administrator in citizen-state relation (e.g. child benefit 500+, supporting programs).

... solutions that provides safety for clients and employees...

- 70%** of employees works remotely.
- Innovative solutions for clients:
- Biometrics – account opening;
 - Remote sale of products.

...but the regulatory charges imposed on banking sector are among the highest.



... what has negative impact on ability to generate bank own funds – prerequisite for new loan creation.

1) Data according to Central Statistical Office
2) Data according to Polish Financial Supervisory Authority

3) Data according to National Bank of Poland

Appendix

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Total Bank – profit and loss account

PLN MM	3Q19	4Q19	1Q20	2Q20	3Q20	3Q20 vs.2Q20		3Q20 vs.3Q19	
						PLN MM	%	PLN MM	%
Net interest income	292	296	302	265	214	(51)	(19%)	(78)	(27%)
Net fee and commission income	142	136	141	124	137	13	11%	(4)	(3%)
Dividend income	1	0	0	11	0	(11)	(97%)	(1)	(72%)
Net gain on trading financial instruments and revaluation	99	93	(7)	102	84	(18)	(18%)	(15)	(15%)
Net gain on debt investment financial assets measured at fair value through other comprehensive income	19	24	105	69	2	(68)	(98%)	(18)	(91%)
Hedge accounting	(0)	(2)	(3)	1	3	1	95%	3	-
Treasury	118	115	95	172	88	(84)	(49%)	(30)	(25%)
Net gain on other equity instruments	3	1	(2)	6	8	2	42%	5	165%
Net other operating income	(2)	(1)	(0)	(4)	(7)	(3)	83%	(5)	210%
Revenue	553	548	536	574	440	(134)	(23%)	(113)	(20%)
Expenses	(255)	(253)	(353)	(269)	(245)	23	(9%)	10	(4%)
Depreciation	(21)	(22)	(24)	(30)	(26)	4	(15%)	(5)	21%
Expenses and depreciation	(276)	(275)	(376)	(299)	(271)	28	(9%)	5	(2%)
Operating margin	277	273	159	276	169	(106)	(39%)	(108)	(39%)
Profit/(loss) on sale of tangible fixed assets	(0.3)	(0.1)	(0.4)	(0.0)	(0.0)	(0)	78%	0	(88%)
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	(91)	(20)	(93)	(110)	25	135	-	117	-
Share in profits / (losses) of entities valued at the equity method	-	-	-	-	-	-	-	-	-
Tax on certain financial institutions	(25)	(28)	(31)	(33)	(29)	4	(11%)	(3)	14%
EBIT	160	225	35	133	166	33	25%	6	4%
Corporate income tax	(46)	(51)	(8)	(44)	(51)	(7)	17%	(5)	10%
Net profit	114	174	26	89	115	25	28%	1	1%
C/I ratio	50%	50%	70%	52%	62%				

Institutional Banking – profit and loss account

PLN MM	3Q19	4Q19	1Q20	2Q20	3Q20	3Q20 vs. 2Q20		3Q20 vs. 3Q19	
						PLN MM	%	PLN MM	%
Net interest income	129	137	147	156	128	(28)	(18%)	(2)	(1%)
Net fee and commission income	80	75	83	82	79	(4)	(4%)	(1)	(1%)
Dividend income	1	0	0	1	0	(1)	(80%)	(1)	(78%)
Net gain on trading financial instruments and revaluation	92	86	(16)	94	76	(18)	(19%)	(15)	(17%)
Net gain on debt investment financial assets measured at fair value through other comprehensive income	19	24	105	69	2	(68)	(98%)	(18)	(91%)
Hedge accounting	(0)	(2)	(3)	1	3	1	95%	3	-
Treasury	111	108	86	165	80	(84)	(51%)	(30)	(27%)
Net gain on other equity instruments	3	1	(2)	6	0	(6)	(100%)	(3)	(99%)
Net other operating income	2	2	3	(2)	2	4	-	0	13%
Revenue	325	323	317	409	289	(120)	(29%)	(36)	(11%)
Expenses	(109)	(113)	(191)	(120)	(108)	12	(10%)	1	(1%)
Depreciation	(5)	(5)	(6)	(5)	(5)	0	(4%)	(0)	6%
Expenses and depreciation	(114)	(118)	(197)	(125)	(113)	12	(10%)	1	(1%)
Operating margin	211	205	120	284	176	(107)	(38%)	(35)	(17%)
Profit/(loss) on sale of tangible fixed assets	(0.1)	0.0	-0.1	0.0	0.0	0	-	0	-
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	(76)	(10)	(57)	(81)	41	122	-	117	-
Tax on certain financial institutions	(19)	(22)	(24)	(26)	(23)	4	(15%)	(3)	17%
Share in profits / (losses) of entities valued at the equity method	-	-	-	-	-	-	-	-	-
EBIT	116	173	38	176	194	19	11%	78	67%
C/I ratio	35%	36%	62%	31%	39%				

Consumer Banking – profit and loss account

PLN MM	3Q19	4Q19	1Q20	2Q20	3Q20	3Q20 vs. 2Q20		3Q20 vs. 3Q19	
						PLN MM	%	PLN MM	%
Net interest income	162	160	155	109	86	(23)	(21%)	(76)	(47%)
Net fee and commission income	62	61	58	41	58	17	41%	(4)	(6%)
Dividend income	-	0	0	10	0	(10)	(99%)	0	-
Net gain on trading financial instruments and revaluation	7	7	9	7	7	0	0%	0	5%
Net gain on other equity instruments	-	-	-	-	8	8	-	8	-
Net other operating income	(4)	(3)	(4)	(2)	(9)	(7)	305%	(5)	129%
Revenue	228	225	219	166	151	(15)	(9%)	(76)	(34%)
Expenses	(146)	(140)	(161)	(149)	(137)	12	(8%)	8	(6%)
Depreciation	(17)	(17)	(18)	(25)	(21)	4	(17%)	(4)	26%
Expenses and depreciation	(162)	(157)	(179)	(174)	(158)	16	(9%)	4	(3%)
Operating margin	65	68	40	(8)	(7)	1	(14%)	(72)	-
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	(15)	(9)	(37)	(29)	(16)	13	(46%)	(0)	1%
Tax on certain financial institutions	(6)	(6)	(7)	(6)	(6)	(0)	4%	(0)	4%
EBIT	44	52	(4)	(43)	(29)	14	(33%)	(73)	-
C/I ratio	71%	70%	82%	105%	105%				

Balance Sheet – assets

PLN B	End of period					3Q20 vs. 4Q19		3Q20 vs. 3Q19	
	3Q19	4Q19	1Q20	2Q20	3Q20	PLN B	%	PLN B	%
Cash and balances with the Central Bank	3.4	3.7	0.6	2.2	2.2	(1.5)	(41%)	(1.2)	(36%)
Amounts due from banks	0.9	1.2	2.0	0.8	1.6	0.4	37%	0.7	76%
Financial assets held-for-trading	5.3	5.4	9.2	6.7	5.5	0.1	2%	0.2	5%
Debt financial asstes measured at fair value through other comprehensive income	16.6	15.5	23.5	25.3	25.7	10.2	66%	9.1	55%
Customer loans	23.3	23.7	24.4	23.4	22.7	(1.1)	(4%)	(0.6)	(3%)
Financial sector entities	2.9	3.2	3.5	4.0	3.7	0.6	18%	0.8	28%
including reverse repo receivables	0.3	0.0	-	0.0	0.0	0.0	52%	(0.2)	(82%)
Non-financial sector entities	20.4	20.6	20.8	19.4	19.0	(1.6)	(8%)	(1.4)	(7%)
Institutional Banking	13.0	13.2	13.6	12.2	11.7	(1.5)	(12%)	(1.3)	(10%)
Consumer Banking	7.4	7.4	7.2	7.2	7.3	(0.1)	(1%)	(0.1)	(1%)
Unsecured receivables	5.5	5.5	5.3	5.2	5.2	(0.3)	(6%)	(0.4)	(7%)
Credit cards	2.7	2.8	2.7	2.5	2.5	(0.2)	(8%)	(0.2)	(7%)
Cash loans	2.7	2.7	2.8	2.6	2.6	(0.1)	(4%)	(0.2)	(6%)
Other unsecured receivables	0.1	0.0	0.0	0.0	0.0	(0.0)	(18%)	(0.0)	(33%)
Mortgage	1.8	1.9	2.0	2.0	2.1	0.2	13%	0.3	16%
Other assets	2.4	2.4	2.5	2.5	2.5	0.1	3%	0.0	1%
Total assets	52.0	52.0	62.3	60.9	60.2	8.2	16%	8.2	16%

Balance Sheet – liabilities and equity

PLN B	End of period					3Q20 vs. 4Q19		3Q20 vs. 3Q19	
	3Q19	4Q19	1Q20	2Q20	3Q20	PLN B	%	PLN B	%
Liabilities due to banks	5,0	2,1	3,7	2,5	2,3	0,2	9%	(2,7)	(54%)
Financial liabilities held-for-trading	2,0	1,9	4,0	3,6	3,5	1,6	85%	1,5	74%
Financial liabilities due to customers	36,4	39,8	46,0	45,9	45,6	5,8	15%	9,2	25%
Financial sector entities - deposits	4,6	4,6	6,8	5,8	6,5	1,9	43%	1,9	42%
Non-financial sector entities - deposits	31,5	35,0	38,7	39,8	38,7	3,7	11%	7,2	23%
Institutional Banking	18,3	21,5	24,4	25,5	24,3	2,8	13%	6,0	33%
Consumer Banking	13,2	13,5	14,3	14,3	14,4	0,9	7%	1,2	9%
Other liabilities	1,6	1,1	1,4	1,4	1,2	0,1	9%	(0,3)	(22%)
Total liabilities	45,0	44,9	55,1	53,4	52,6	7,7	17%	7,6	17%
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	0,2	0,4	0,4	0,28	240%	0,25	170%
Other reserves	2,9	2,9	2,9	2,8	2,8	(0,1)	(3%)	(0,1)	(3%)
Retained earning	0,4	0,6	0,6	0,6	0,6	0,1	13%	0,2	63%
Total Equity	6,9	7,1	7,1	7,5	7,6	0,5	7%	0,6	9%
Total liabilities & equity	51,9	52,0	62,3	60,9	60,2	8,2	16%	8,3	16%
Loans / Deposits ratio	64%	60%	53%	51%	50%				
Total Capital Ratio	16,3%	17,2%	17,0%	19,9%	20,4%				
NPL*	4,0%	3,4%	3,4%	3,7%	3,7%				

*as reported, incl. reverse repo