

citi handlowy



Bank Handlowy w Warszawie S.A.

Consolidated financial results
for 2Q'2021

August 20th, 2021

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

2Q'21– Summary



Client business

- **Continuation of high activity of corporate clients** in FX and cross-border transactions, as a result of improvement of key macroeconomic indicators;
- **Bank of first choice for global and digital companies** – leveraging experience allowing for **well-matched products and solutions offer for domestic e-commerce companies** – process automation, FX transactions and liquidity management;
- Return of individual clients spend to the pre-pandemic level – **increase of credit card transaction volumes**;
- **Strong quarter in the area of Wealth Management**, record high level of assets under management (AuM).



Financial results

- Net profit for 2Q'21 amounting to PLN 73 MM, down by 19% YoY as a result of **lower activity of the Bank in the area of treasury operations** (decrease by 95% YoY);
- **Net profit attributed to shareholders for 2021 1H at the level of PLN 468 MM** (3 times higher comparing to 2020);
- **Strong net fees and commission income** – up by 22% YoY, as a result of retail customers activity revival combined with continuation of strong trends in transactional banking and custody;
- **Sustained cost discipline**: decrease by 6% YoY, and **cost of risk at the level of 18 b.p.** reflecting good quality of the Bank's loan portfolio;
- **Tier 1 ratio at the level of 20.8% entitling to dividend payout** according to PFSA recommendation. Regulator approved payout of the 100% of net profit for 2020.

A photograph of a female para-table tennis player, Natalia Partyka, in a dark blue and red athletic outfit, captured in a dynamic pose as if hitting a ball. The background is a dark, solid color.

NATALIA PARTYKA
PARA TABLE TENNIS, TEAM POLAND

It's okay, you can stare.

My forehand brings people to their knees.

Business activity
in 2Q'21

NOW IS THE TIME TO CHANGE THE PERCEPTION OF PEOPLE WITH DISABILITIES.

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 Polish
Paralympic
Committee

Proud partner of the Polish Paralympic Committee
Proud sponsor of progress

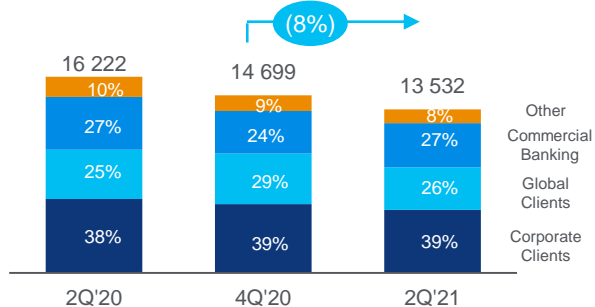
Institutional Banking – loan and deposit volumes

Good results of the Polish economy



Loan volumes (PLN MM)

Loan volumes affected by one-off repayments, on the other hand good perspectives for Commercial Banking segment

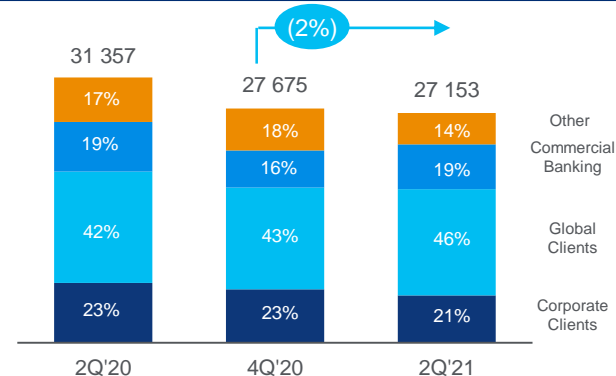


Commercial Banking
+4% vs. 2020

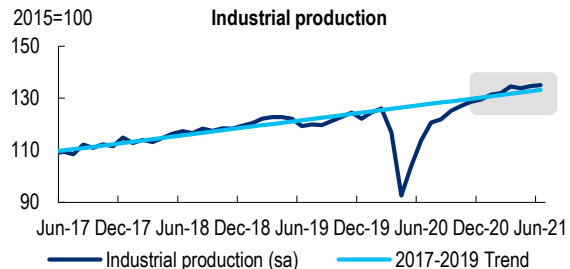
Corporate and Global Clients
-11% vs. 2020



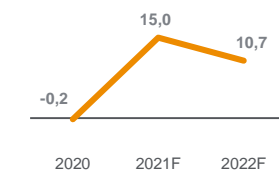
Deposit volumes (PLN MM)



Industrial production equalized pandemic losses and exceeded the 2017-2019 trend line extrapolation

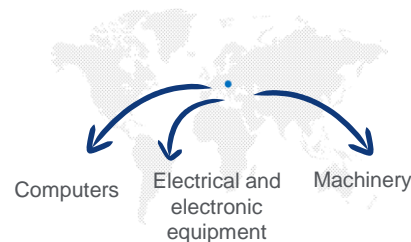


Export is the main beneficiary of industrial production growth* (export YoY dynamics)



* On the basis of Citi Handlowy analysts

Industries responsible for export growth



Increase of the Bank loan exposure to branches oriented on export

Loan volumes – electric equipment production branch

+14%
YoY

Bank of first choice for new economy enterprises

Growing share of new economy companies in transactional volumes of the Bank



+16% QoQ

Transborder
money
transfers



+10% YoY

Trade financing
avg. assets



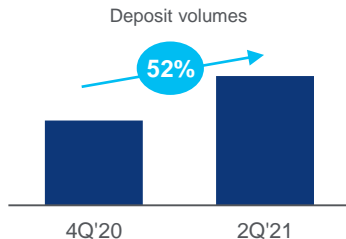
+5% QoQ

Electronic
transactions
volume



Bank of first choice for global digital companies

- New Clients – mobile games and food delivery branches



Citi Handlowy and PayU partnership

- Access to **PayU services for all Institutional Clients of the Bank**;
- Support for exporters and experience in **payments and e-commerce area**;
- Comprehensive services development in **e-management of online payments**.



New campaign to e-commerce

- www.bankdlaecommerce.pl
- Integration of data from payments providers and data from e-commerce company order system (**liabilities reconciliation**);
- **Cost monitoring** through dedicated credit cards (limits and expenditures control form the level of one application);
- **Providing suitable FX solutions.**

Citi Handlowy: Best Investment Bank in Poland



PLN 500 MM

Corporate bonds issue on local market and Eurobonds issue for client representing e-commerce branch

EUR 490 MM

EUR 3.2 B

Bank acted as Co-Bookrunner in IPO process on Amsterdam stock exchange for client representing e-commerce branch

Obtaining IPO mandates for Commercial Banking Clients from new economy sector (Digital, Biotechnology)

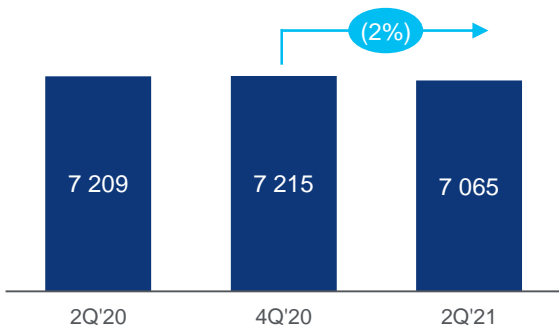
Consumer Banking – business volumes



Balance sheet volumes (PLN MM)

Back to normal in customers' shopping decisions

Loans



Credit cards

+1%
QoQ

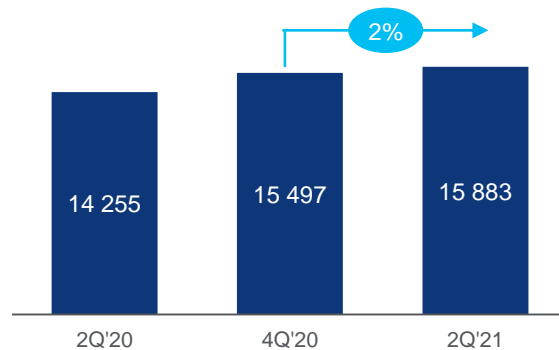
Cash Loans

(4%)
QoQ

Mortgage loans

+4%
QoQ

Deposits



No. of Clients

Citi Private Clients (#)

+24%
YoY

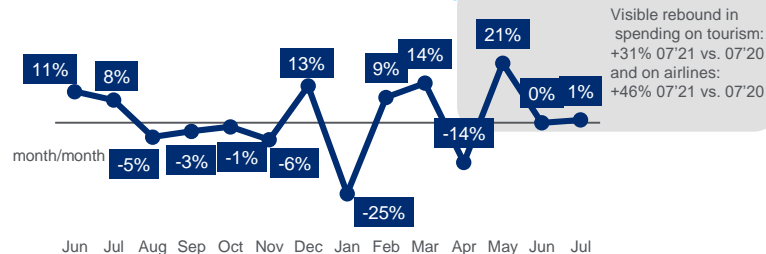
Citigold Clients (#)

+6%
YoY



Transactional volumes

Credit card transactions volume dynamics (domestic spending)



+122% QoQ Credit card sale in partnership with OBI



+34% YoY

Investment products sale



+39% YoY

Investment products balance



+2% QoQ

Citigold Clients FX volume

Bank socially responsible

Citi in Poland is one of „the most engaged companies in diversity management”

According to Diversity IN Check survey conducted by The Responsible Business Forum



Over 2000 volunteers actions

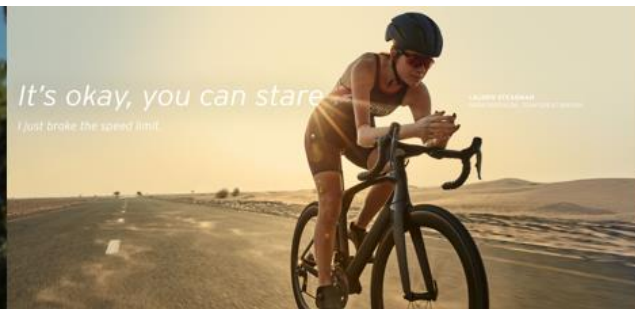
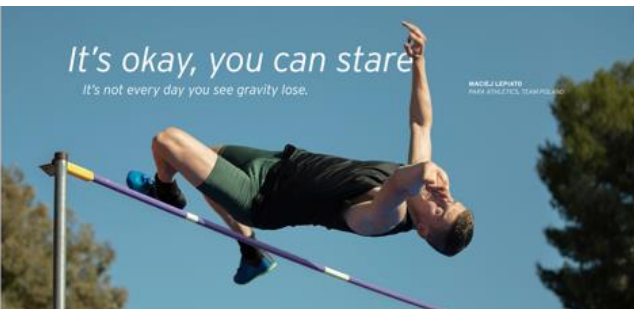
Over 1,000 food packages for seniors

Providing personal cards for lonely people

Motivating-supporting talks with youths from childe care houses

Over 14,000 of aid beneficiaries

We support paralympics



It's okay, you can stare

It's not every day you see gravity lose.

MACIEJ LEPIATO
PARA ATHLETICS, TEAM POLAND

Financial results
for 2Q'21

NOW IS THE TIME TO CHANGE THE PERCEPTION OF PEOPLE WITH DISABILITIES.

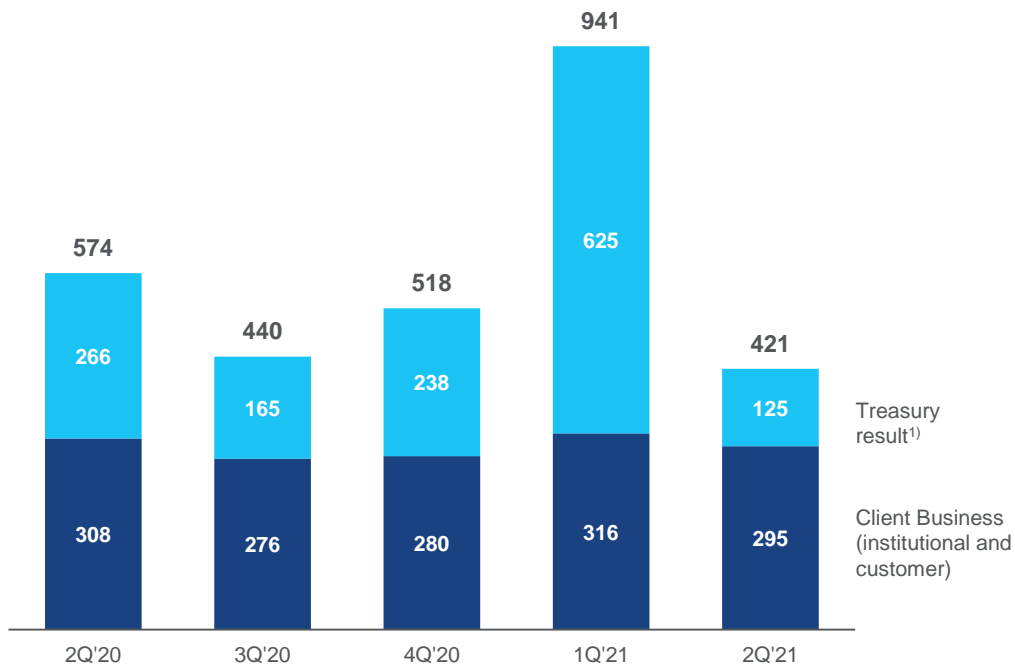


Proud partner of the Polish Paralympic Committee
Proud sponsor of progress

Total revenue

Revenue – segment split (PLN MM)

Revenues affected by lower treasury result

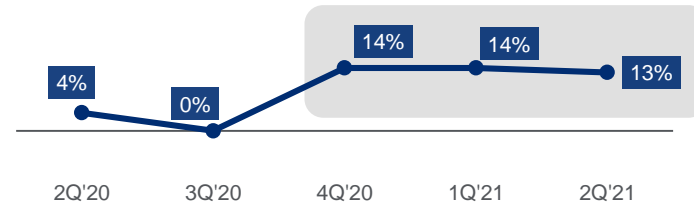


1) Sum of net income on financial instruments and revaluation, net gain on debt investment financial assets measured at fair value through other comprehensive income, interest income on these assets

Revenue – client business

Institutional Banking²⁾ – dynamics YoY

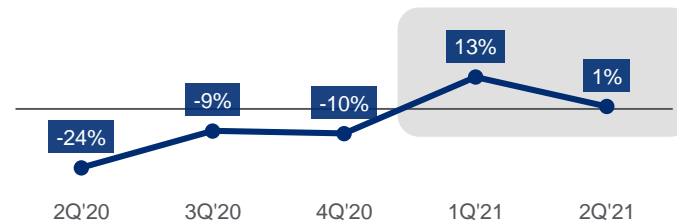
Continuation of strong trends in long horizon



2) Client revenue: net interest income, net fee and commission income, client FX result

Consumer Banking – dynamics QoQ

Second consecutive quarter of revenue growth

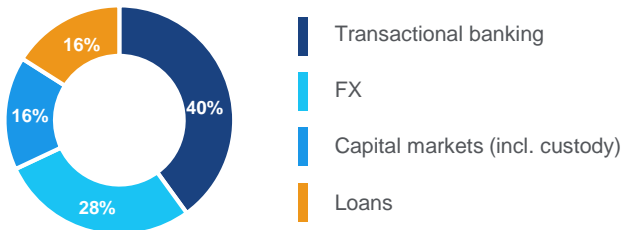


Client revenue – products *(management view)*

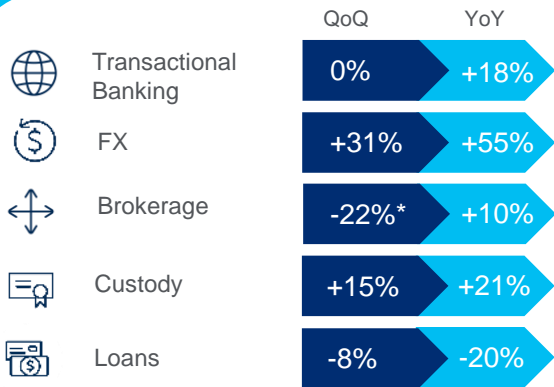


Institutional Banking

FX transactions and transactional banking – main growth engine of client revenues



Institutional Banking

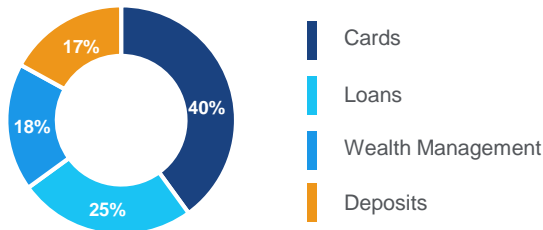


* Excl. one-off transaction in 1Q'21

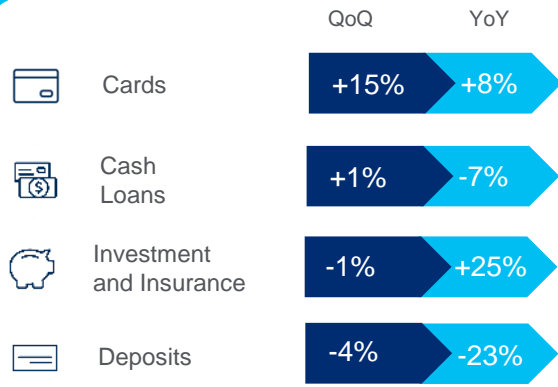


Consumer Banking

Positive dynamics of income on credit cards



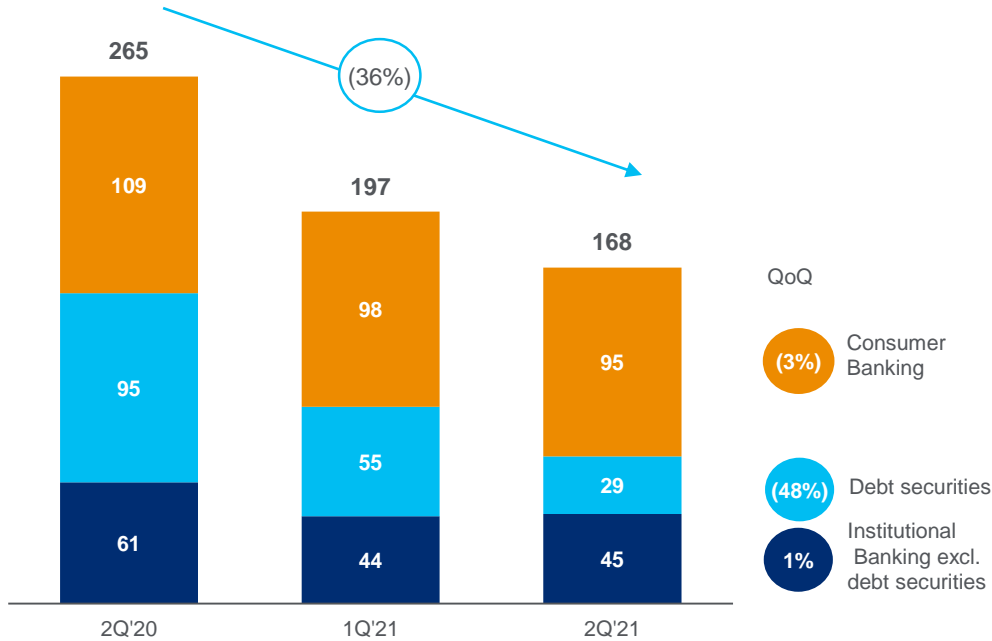
Consumer Banking



Net interest income

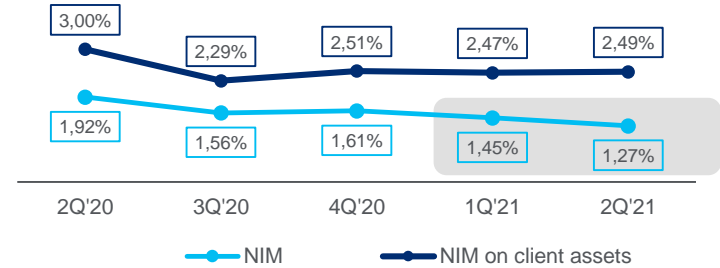
Net interest income – segment split (PLN MM)

Net interest income decrease as a result of drop in treasury securities volume (disposal of ca. 50% of portfolio in 1Q'21)

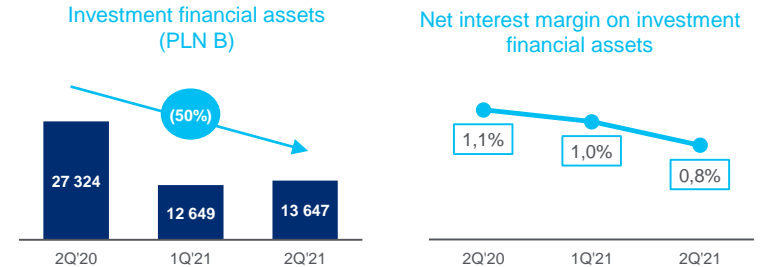


Net interest margin

Client assets rebound supported by credit cards



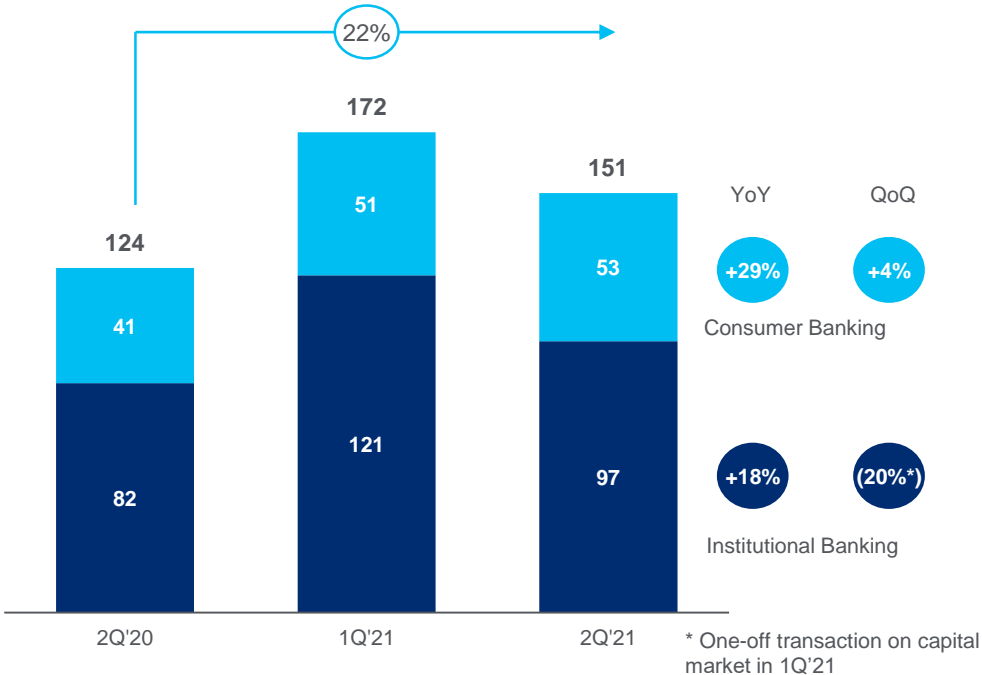
Debt securities



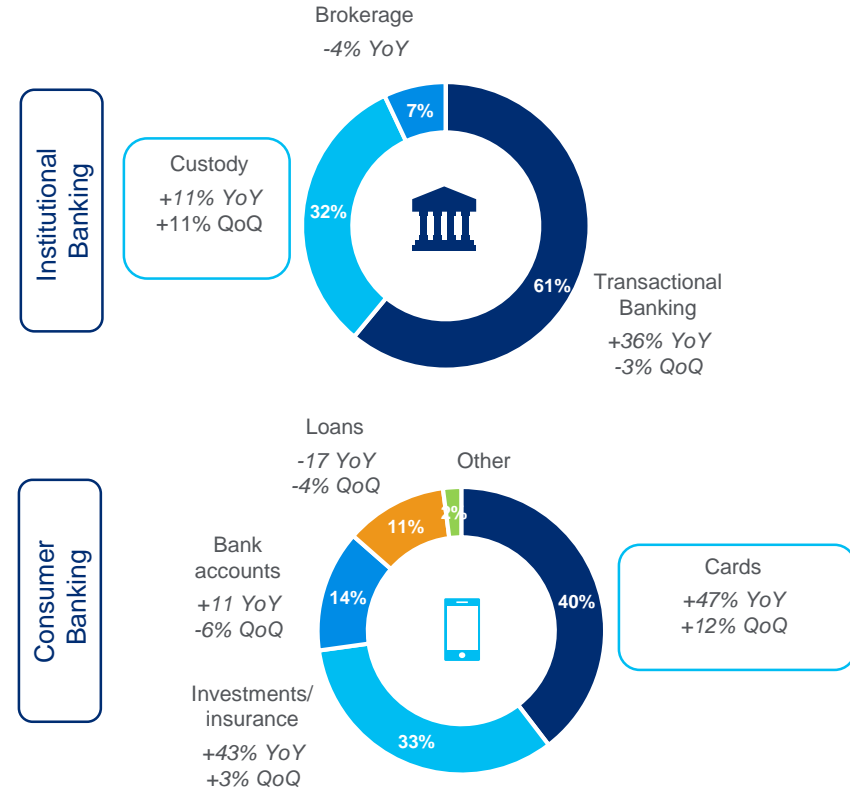
Net Fee & Commission Income

NF&CI – segment split (PLN MM)

NF&CI rebound in Consumer Banking driven by higher credit card transactions volume

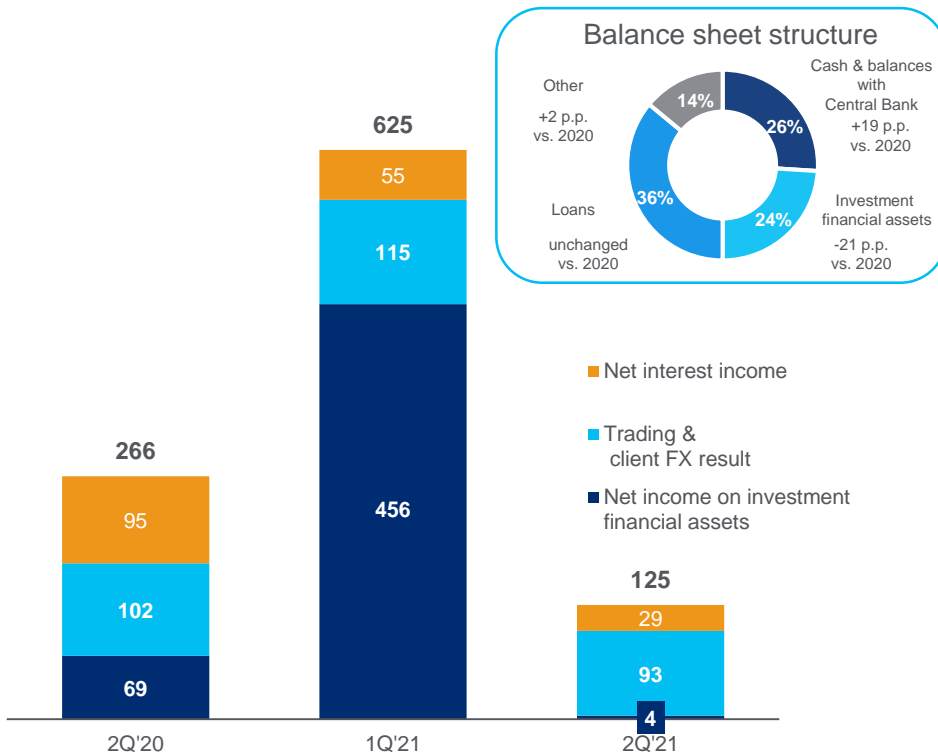


NF&CI structure and dynamics (2Q 2021)



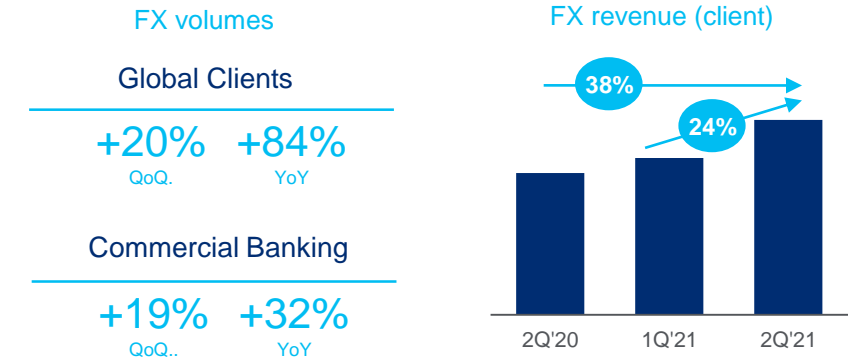
Treasury

Treasury result (PLN MM)



Client income: FX operations

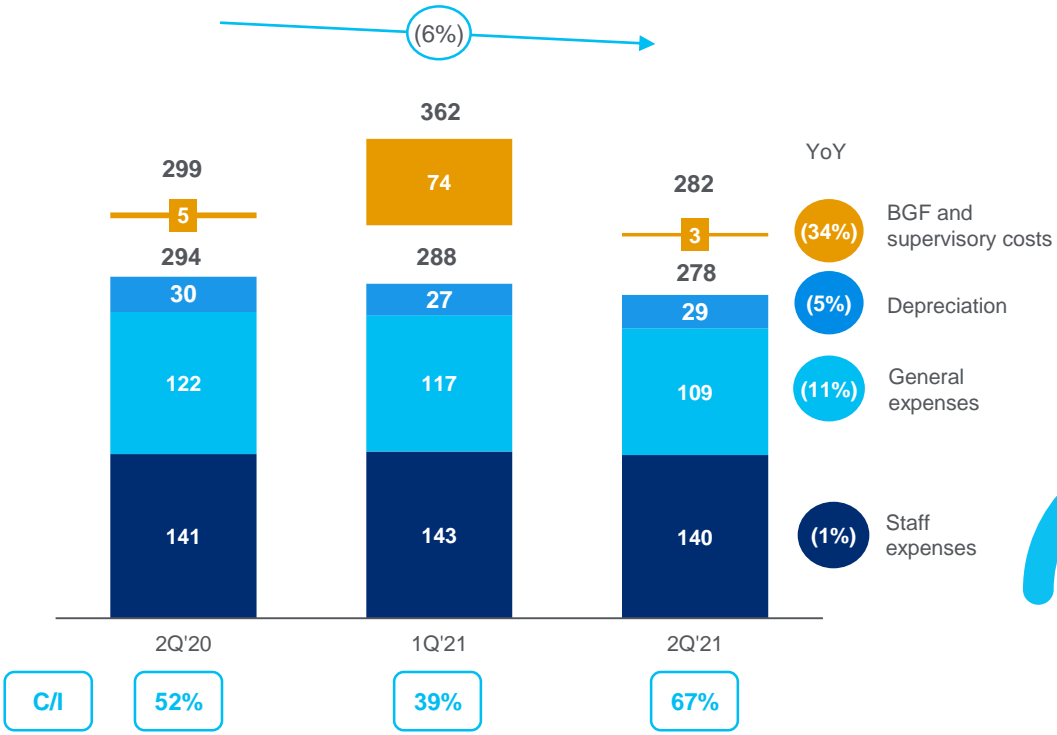
Record high result form client FX revenue driven by high volumes



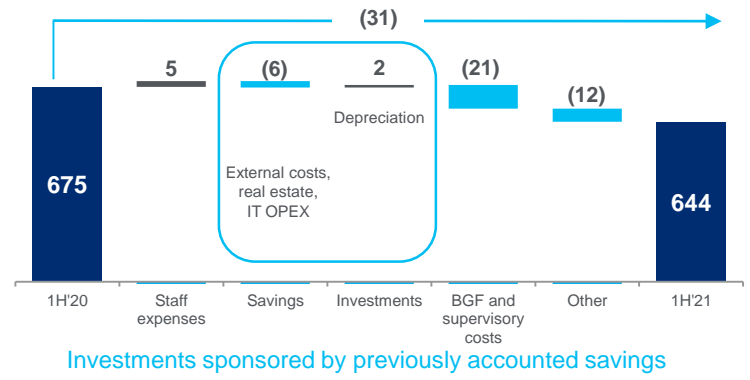
Expenses

Operating expenses (PLN MM)

Despite high inflations, operating expenses remained under control



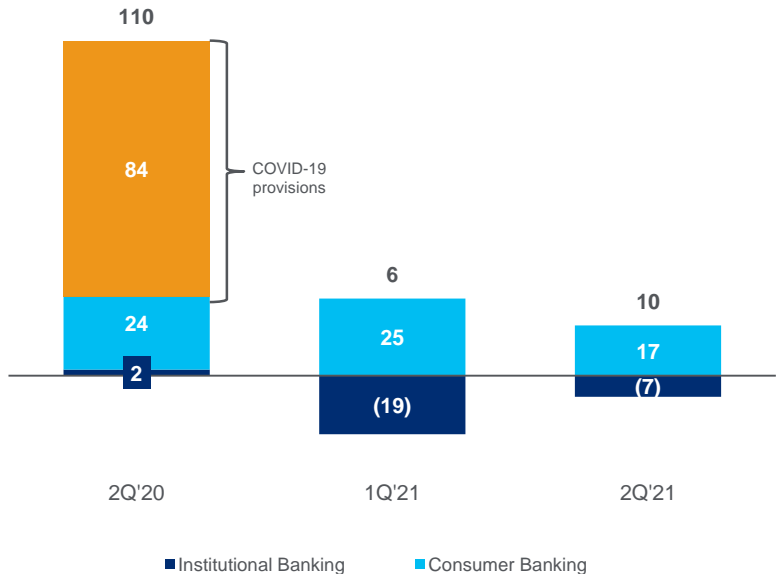
Operating expenses – structural view (PLN MM)



Cost of Risk

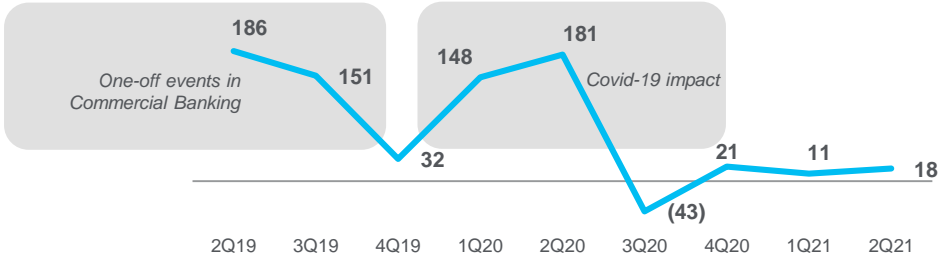
Cost of Risk of the Group (PLN MM)

Continuation of positive trends in portfolio quality



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

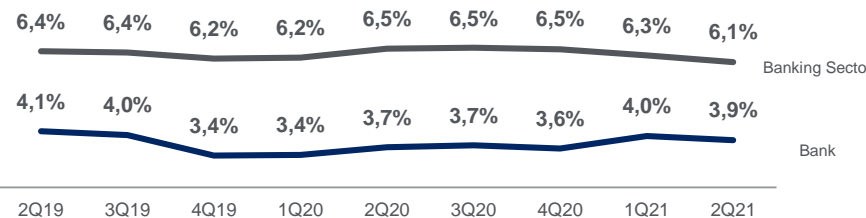
Cost of Risk of the Group (p.b.)



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

NPL ratio for the Group (%)

Loan portfolio quality significantly better comparing to the market



Financial results summary

	2Q21	1Q21	ΔQoQ	2Q20	ΔYoY	2021	ΔYoY
Net interest income	168	197	(15%)	265	(36%)	365	(36%)
Net fee & commission income	151	172	(13%)	124	22%	323	22%
Core revenue	319	370	(14%)	389	(18%)	689	(17%)
Treasury	97	570	(83%)	171	(43%)	667	148%
other	5	1	-	15	(66%)	6	(38%)
Total revenue	421	941	(55%)	574	(27%)	1 361	23%
Operating expenses	(282)	(362)	(22%)	(299)	(6%)	(644)	(5%)
Operating margin	139	578	(76%)	276	(50%)	718	65%
Cost of risk*	(10)	(6)	56%	(110)	(91%)	(16)	(92%)
Profit before tax	91	536	(83%)	133	(32%)	626	274%
Income tax	(18)	(141)	(88%)	(44)	(59%)	(159)	207%
Bank levy	(39)	(36)	7%	(33)	19%	(75)	18%
Net profit	73	395	(82%)	89	(19%)	468	304%
Assets	57 661	58 821	(2%)	60 893	(5%)	57 661	(5%)
Net loans	20 597	22 296	(8%)	23 431	(12%)	20 597	(12%)
Deposits	43 279	44 088	(2%)	45 888	(6%)	43 279	(6%)
Loans / Deposits	48%	51%		51%			
TCR	20.8%	21.4%		19.9%			

*) Sign"- by cost of risk means negative impact on P&L

It's okay, you can stare

I just broke the speed limit.

LAUREN STEADMAN
PARATRIATHLON, TEAM GREAT BRITAIN

Five-time gold medalist

Appendix

NOW IS THE TIME TO CHANGE THE PERCEPTION OF PEOPLE WITH DISABILITIES.

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 Polish
Paralympic
Committee

Proud partner of the Polish Paralympic Committee
Proud sponsor of progress

Capital Group – profit and loss account

PLN MM	2Q20	3Q20	4Q20	1Q21	2Q21	2Q21 vs.1Q21		2Q21 vs.2Q20		1H'20	1H'21	1H'21 vs. 1H'20	
						PLN MM	%	PLN MM	%			PLN MM	%
Net interest income	265	214	221	197	168	(29)	(15%)	(97)	(36%)	567	365	(202)	(36%)
Net fee and commission income	124	137	158	172	151	(22)	(13%)	27	22%	265	323	58	22%
Dividend income	11	0	0	0	9	9	-	(2)	(20%)	11	9	(2)	(20%)
Net gain on trading financial instruments and revaluation	102	84	133	115	93	(21)	(19%)	(9)	(8%)	94	208	113	120%
Net gain on debt investment financial assets measured at fair value through other comprehensive income	69	2	27	456	4	(452)	(99%)	(66)	(95%)	174	459	285	164%
Hedge accounting	1	3	(0)	1	(1)	(1)	-	(2)	-	(1)	0	1	-
Treasury	172	88	160	571	96	(475)	(83%)	(76)	(44%)	267	667	400	150%
Net gain on other equity instruments	6	8	3	1	3	1	96%	(3)	(55%)	4	4	(0)	(5%)
Net other operating income	(4)	(7)	(25)	(1)	(6)	(5)	596%	(2)	56%	(4)	(7)	(3)	63%
Revenue	574	440	518	941	421	(520)	(55%)	(154)	(27%)	1 110	1 361	251	23%
Expenses	(269)	(245)	(249)	(335)	(253)	82	(25%)	16	(6%)	(621)	(587)	34	(5%)
Depreciation	(30)	(26)	(27)	(27)	(29)	(1)	5%	2	(5%)	(54)	(56)	(2)	4%
Expenses and depreciation	(299)	(271)	(276)	(362)	(282)	81	(22%)	17	(6%)	(675)	(644)	31	(5%)
Net impairment allowances on non-financial assets	-	-	(215)	-	-	-	-	-	-	-	-	-	-
Operating margin	276	169	242	578	139	(439)	(76%)	(136)	(50%)	435	718	283	65%
Profit/(loss) on sale of tangible fixed assets	(0,0)	(0,0)	(0,1)	(0,3)	(0,2)	0,1	(32%)	(0,2)	872%	(0,4)	(0,4)	(0,0)	10%
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	(110)	25	(12)	(6)	(10)	(3)	56%	100	(91%)	(203)	(16)	188	(92%)
Tax on certain financial institutions	(33)	(29)	(31)	(36)	(39)	(3)	7%	(6)	19%	(64)	(75)	(11)	18%
EBIT	133	166	(16)	536	91	(445)	(83%)	(42)	(32%)	167	626	459	274%
Corporate income tax	(44)	(51)	(42)	(141)	(18)	123	(87%)	26	(59%)	(52)	(159)	(107)	207%
Net profit	89	115	(58)	395	73	(322)	(82%)	(17)	(19%)	116	468	352	304%
C/I ratio	52%	62%	53%	39%	67%					61%	47%		

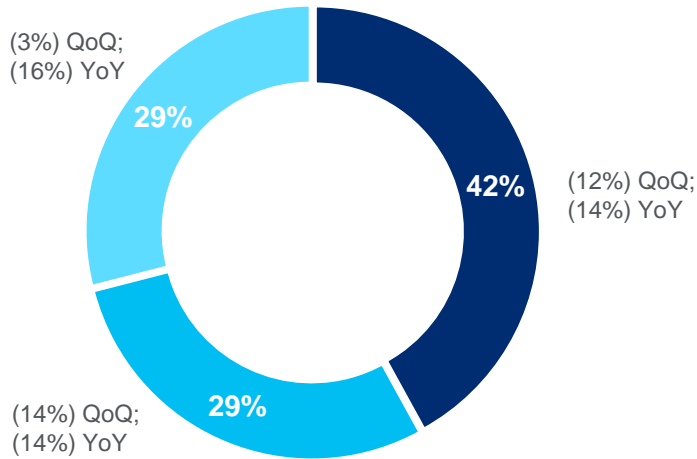
Institutional Banking – profit and loss account

PLN MM	2Q20	3Q20	4Q20	1Q21	2Q21	2Q21 vs.1Q21		2Q21 vs. 2Q20		1H'20	1H'21	1H'21 vs. 1H'20	
						PLN MM	%	PLN MM	%			PLN MM	%
Net interest income	156	128	119	99	74	(26)	(26%)	(82)	(53%)	303	173	(130)	(43%)
Net fee and commission income	82	79	105	121	97	(24)	(20%)	15	18%	165	219	53	32%
Dividend income	1	0	0	0	1	1	-	0	30%	1	2	0	27%
Net gain on trading financial instruments and revaluation	94	76	126	107	85	(22)	(20%)	(9)	(9%)	78	193	115	147%
Net gain on debt investment financial assets measured at fair value through other comprehensive income	69	2	27	456	4	(452)	(99%)	(66)	(95%)	174	459	285	164%
Hedge accounting	1	3	(0)	1	(1)	(1)	-	(2)	-	(1)	0	1	-
Treasury	165	80	152	564	88	(475)	(84%)	(77)	(46%)	251	652	401	160%
Net gain on other equity instruments	6	0	3	1	3	1	96%	(3)	(55%)	4	4	(0)	(5%)
Net other operating income	(2)	2	3	3	2	(0)	(16%)	4	-	1	5	4	251%
Revenue	409	289	383	788	266	(522)	(66%)	(143)	(35%)	725	1,054	328	45%
Expenses	(120)	(108)	(107)	(182)	(119)	64	(35%)	1	(1%)	(311)	(301)	10	(3%)
Depreciation	(5)	(5)	(5)	(5)	(6)	(0)	6%	(0)	6%	(11)	(11)	0	(1%)
Expenses and depreciation	(125)	(113)	(112)	(188)	(124)	63	(34%)	1	(1%)	(322)	(312)	10	(3%)
Operating margin	284	176	271	601	142	(459)	(76%)	(142)	(50%)	403	742	339	84%
Profit/(loss) on sale of tangible fixed assets	0.0	0.0	0.0	0.0	(0.1)	(0)	169%	(0)	612%	0	0	(0)	4%
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	(81)	41	15	19	7	(12)	(64%)	88	-	(138)	26	164	-
Tax on certain financial institutions	(26)	(23)	(24)	(29)	(32)	(3)	9%	(6)	21%	(51)	(61)	(11)	21%
EBIT	176	194	262	590	116	(474)	(80%)	(60)	(34%)	214	707	492	230%
C/I ratio	31%	39%	29%	24%	47%					44%	30%		

Institutional Banking – assets and liabilities

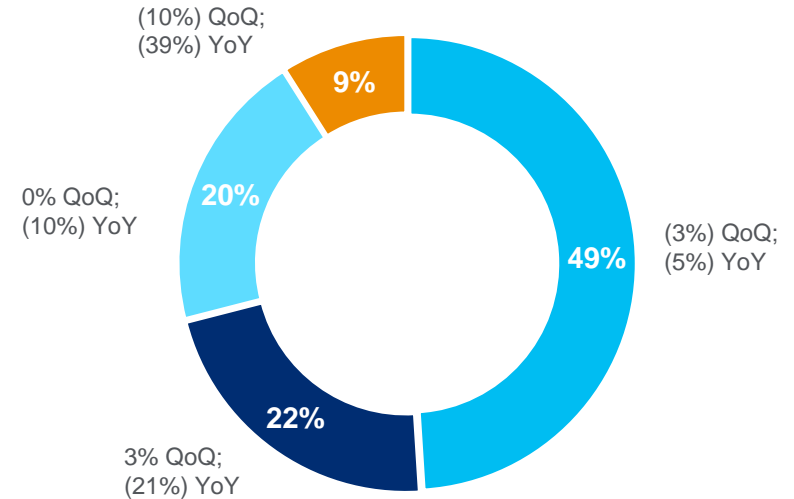
Management view

Assets



■ Corporate Clients ■ Global Clients ■ Commercial banking

Liabilities



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

Consumer Banking – profit and loss account

PLN MM	2Q20	3Q20	4Q20	1Q21	2Q21	2Q21 vs.1Q21		2Q21 vs. 2Q20		1H'20	1H'21	1H'21 vs. 1H'20	
						PLN MM	%	PLN MM	%			PLN MM	%
Net interest income	109	86	102	98	95	(3)	(3%)	(14)	(13%)	264	193	(72)	(27%)
Net fee and commission income	41	58	53	51	53	2	4%	12	29%	100	105	5	5%
Dividend income	10	0	-	-	8	8	-	(3)	(25%)	10	8	(3)	(26%)
Net gain on trading financial instruments and revaluation	7	7	8	7	8	0	7%	0	3%	16	15	(2)	(10%)
Net gain on other equity instruments	-	8	-	-	-	-	-	-	-	-	-	-	-
Net other operating income	(2)	(9)	(27)	(4)	(8)	(5)	131%	(6)	279%	(6)	(12)	(6)	111%
Revenue	166	151	135	153	155	2	1%	(11)	(7%)	385	307	(77)	(20%)
Expenses	(149)	(137)	(142)	(153)	(134)	19	(12%)	15	(10%)	(310)	(287)	24	(8%)
Depreciation	(25)	(21)	(21)	(22)	(23)	(1)	5%	2	(7%)	(43)	(45)	(2)	6%
Expenses and depreciation	(174)	(158)	(164)	(175)	(157)	17	(10%)	17	(10%)	(353)	(332)	21	(6%)
Net impairment allowances on non-financial assets	-	-	(215)	-	-	-	-	-	-	-	-	-	-
Operating margin	(8)	(7)	(29)	(22)	(3)	20	(89%)	6	(69%)	32	(25)	(56)	-
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	(29)	(16)	(27)	(25)	(17)	9	(35%)	12	(43%)	(66)	(42)	24	(36%)
Tax on certain financial institutions	(6)	(6)	(7)	(7)	(7)	0	(2%)	(1)	8%	(13)	(14)	(1)	6%
EBIT	(43)	(29)	(278)	(55)	(26)	29	(53%)	17	(40%)	(47)	(80)	(33)	71%
C/I ratio	105%	105%	121%	114%	102%					92%	108%		

Balance Sheet – assets

PLN B	End of period					2Q21 vs. 4Q20		2Q21 vs. 2Q20	
	2Q20	3Q20	4Q20	1Q21	2Q21	PLN B	%	PLN B	%
Cash and balances with the Central Bank	2.2	2.2	4.5	14.9	15.0	10.5	-	12.7	-
Amounts due from banks	0.8	1.6	0.6	0.8	0.9	0.3	58%	0.1	11%
Financial assets held-for-trading	6.7	5.5	4.4	5.9	5.2	0.8	19%	(1.5)	(23%)
Debt financial asstes measured at fair value through other comprehensive income	25.3	25.7	27.3	12.6	13.6	(13.7)	(50%)	(11.6)	(46%)
Customer loans	23.4	22.7	21.9	22.3	20.6	(1.3)	(6%)	(2.8)	(12%)
Financial sector entities	4.0	3.7	3.7	3.8	3.4	(0.4)	(10%)	(0.6)	(16%)
Non-financial sector entities	19.4	19.0	18.2	18.5	17.2	(1.0)	(5%)	(2.2)	(11%)
Institutional Banking	12.2	11.7	11.0	11.4	10.2	(0.8)	(7%)	(2.0)	(17%)
Consumer Banking	7.2	7.3	7.2	7.0	7.1	(0.1)	(2%)	(0.1)	(2%)
Unsecured receivables	5.2	5.2	5.0	4.8	4.7	(0.3)	(6%)	(0.4)	(9%)
Credit cards	2.5	2.5	2.5	2.4	2.4	(0.1)	(3%)	(0.1)	(4%)
Cash loans	2.6	2.6	2.5	2.4	2.3	(0.2)	(9%)	(0.3)	(13%)
Other unsecured receivables	0.0	0.0	0.0	0.0	0.0	(0.0)	(14%)	(0.0)	(16%)
Mortgage	2.0	2.1	2.2	2.2	2.3	0.1	6%	0.3	15%
Other assets	2.5	2.5	2.3	2.3	2.4	0.1	4%	(0.1)	(4%)
Total assets	60.9	60.2	60.9	58.8	57.7	(3.3)	(5%)	(3.2)	(5%)

Balance Sheet – liabilities and equity

PLN B	End of period					2Q21 vs. 4Q20		2Q21 vs. 2Q20	
	2Q20	3Q20	4Q20	1Q21	2Q21	PLN B	%	PLN B	%
Liabilities due to banks	2.5	2.3	5.1	2.8	1.6	(3.5)	(68%)	(0.9)	(35%)
Financial liabilities held-for-trading	3.6	3.5	3.7	3.1	3.1	(0.5)	(15%)	(0.5)	(13%)
Financial liabilities due to customers	45.9	45.6	43.4	44.1	43.3	(0.1)	(0%)	(2.6)	(6%)
Financial sector entities - deposits	5.8	6.5	4.6	3.5	4.1	(0.5)	(11%)	(1.8)	(30%)
Non-financial sector entities - deposits	39.8	38.7	38.6	40.3	39.0	0.4	1%	(0.8)	(2%)
Institutional Banking	25.5	24.3	23.1	24.1	23.1	(0.0)	(0%)	(2.4)	(10%)
Consumer Banking	14.3	14.4	15.5	16.2	15.9	0.4	2%	1.6	11%
Other liabilities	1.4	1.2	1.2	1.3	2.0	0.8	70%	0.6	40%
Total liabilities	53.4	52.6	53.4	51.2	50.1	(3.3)	(6%)	(3.4)	(6%)
Share capital	0.5	0.5	0.5	0.5	0.5	-	0%	0.0	0%
Supplementary capital	3.0	3.0	3.0	3.0	3.0	0.0	0%	0.0	0%
Revaluation reserve	0.4	0.4	0.5	0.1	(0.0)	(0.5)	-	(0.38)	-
Other reserves	2.8	2.8	2.8	2.8	2.8	0.0	1%	0.0	0%
Retained earning	0.8	0.9	0.8	1.2	1.3	0.5	56%	0.5	67%
Total Equity	7.5	7.6	7.6	7.6	7.6	0.0	0%	0.1	2%
		0	0	0	0				
Total liabilities & equity	60.9	60.2	60.9	58.8	57.7	(3.3)	(5%)	(3.2)	(5%)
		0	0	0	0				
Loans / Deposits ratio	51%	50%	51%	51%	48%				
Total Capital Ratio	20.0%	20.4%	22.6%	21.4%	20.8%				
NPL*	3.7%	3.7%	3.6%	4.0%	3.9%				

*as reported, incl. reverse repo