



Bank Handlowy w Warszawie S.A.

Consolidated financial results
for 3Q'2021

November 9th, 2021

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

citi handlowy®

3Q'21 - Summary



Financial results

- **Net profit for 3Q'21 at the level of PLN 93 MM (+28% QoQ)** as a result of higher client revenues and costs discipline. **Stand alone net profit for September YTD amounting to PLN 563 MM** (2.5 x higher comparing to corresponding period of 2020);
- **Total revenues** at the level of PLN 457 MM, **increase by 9% QoQ** as a result of higher FX revenue +7% QoQ and higher net fees +5% QoQ;
- **Operating expenses** amounting to PLN 275 MM, **decrease by 2% QoQ** and **cost of risk returning to normalized level** of 35 basis points;
- **Commitments to shareholders delivered** – payout of the dividend for 2020, dividend yield at the level of 2.6%, strong capital position maintained – TCR ratio at 19.0%.



Institutional Banking

- **Total revenues increase by 14% QoQ** as a result of strong growth of client business: **loan volumes** (+2% QoQ), **deposit volumes** (+5% QoQ) and **FX** (+76% QoQ) as a result of strong economic rebound and GDP returning to pre-pandemic level;
- Continuation of **positive trends in capital market transactions** – DMBH acted as Global Coordinator in capital increase transaction for pharmaceutical company equal PLN 216 MM;
- **Citi Payment Outlier Detection** Implementation - new tool allowing for intelligent verification of outgoing payments. **Strong transactional activity** of the clients in the area of **x-border money transfers** (+23% YoY).



Consumer Banking

- **Total revenues flat QoQ**, excl. one-off event in 2Q'21 revenue increase by 5% QoQ;
- **Strong transactional activity among individual clients** – FX volumes in CitiKantor +26% QoQ, domestic and foreign spending on credit card +7% QoQ;
- **Solid quarter in Wealth Management** – average volume of the Assets under Management increased for the 5th quarter in a row. Additionally, highest acquisition of Citigold clients for 3 years – increase by 40% QoQ.

Business activity

Commercial Banking | Strong volumes dynamics

Transactional volumes

+5% FX volumes (QoQ)

Money transfer volumes (QoQ)

+5%

Deposits volume dynamics – Digital clients

+96% vs. 2020



E-commerce

Software houses

Assets volume dynamics – Commercial Banking

+11% vs. 2020



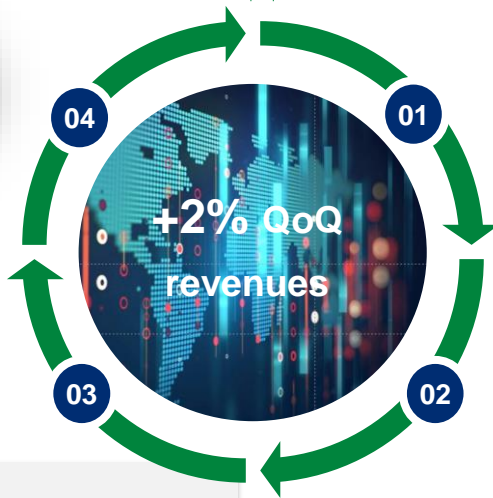
Food industry

Consulting

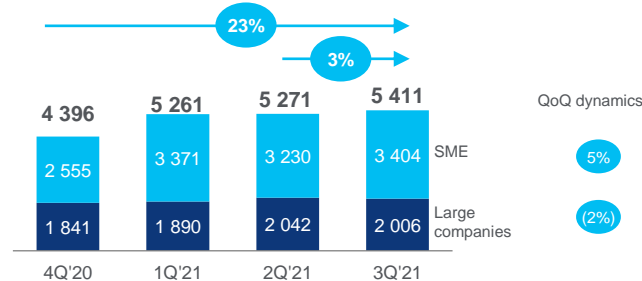
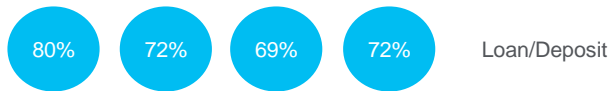
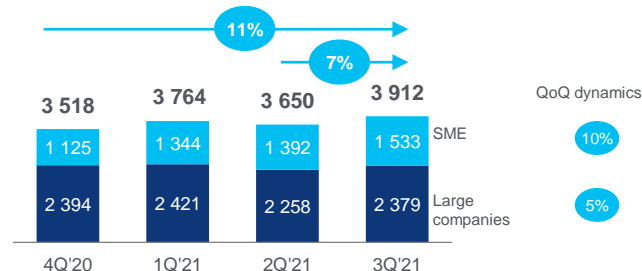
Trade

Main sectors

Clients



Assets (PLN MM; management view)

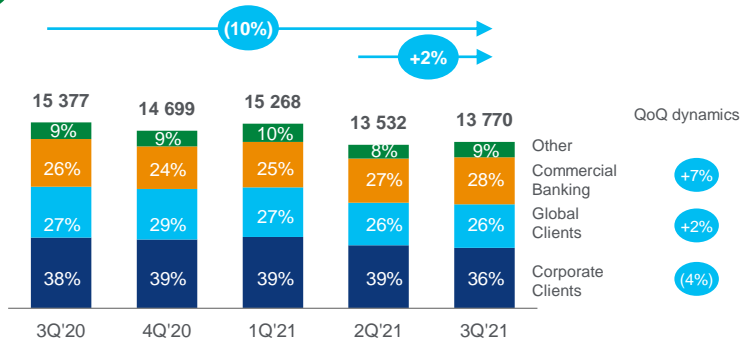


Liabilities (PLN MM; management view)

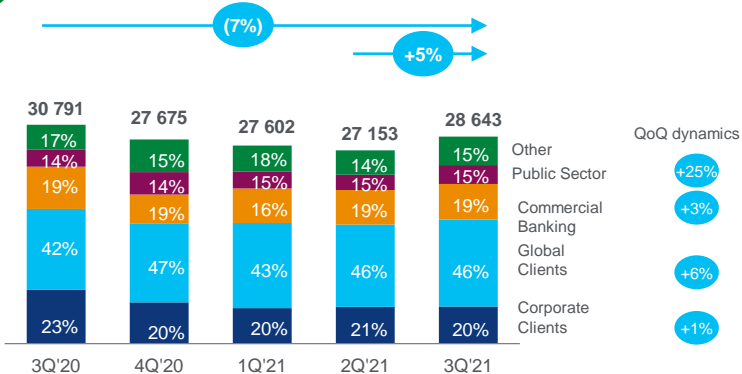
Institutional Banking – loan and deposit volumes



Loan volumes (PLN MM)



Deposit volumes (PLN MM)



Transactional volumes

Strong quarter in trade turnover

FX volumes

+55%
YoY

Global Clients;
i.a. resulting from +15% YoY growth of new relations with South Korea, Czechia and Brasil

+10%
YoY

Commercial Banking;
i.a.. resulting from acquisition of the new clients from e-commerce and software segment



+23%
YoY

X-border money transfer volume



+14%
YoY

Average trade financing assets

AI for institutional clients| Citi Payment Outlier Detection

Intelligent payments verification in real time

Client needs analysis

- 
- 01 Number of payments increased significantly in 2021: +11% YoY Express Elixir transactions volume growth
 - 02 Scope of automated processes is growing
 - 03 The demand for payment verification tool in real time is soaring

Citi® Payment Outlier Detection

Intelligent Payment Review

Reduce the risk of making incorrect payments. Mechanism based on artificial intelligence and machine learning algorithms will automatically catch unusual transactions.

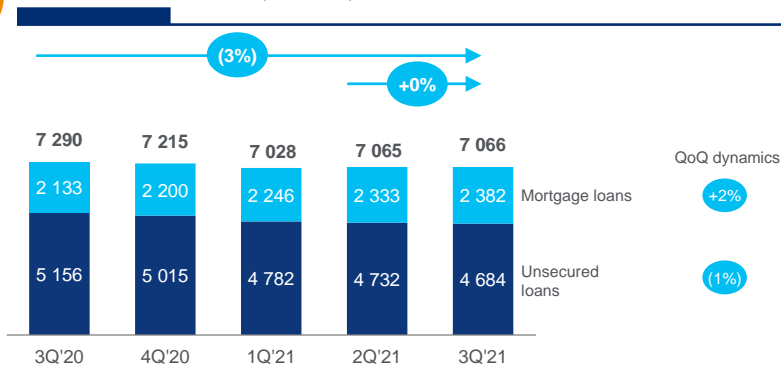
Citi Payment Outlier Detection



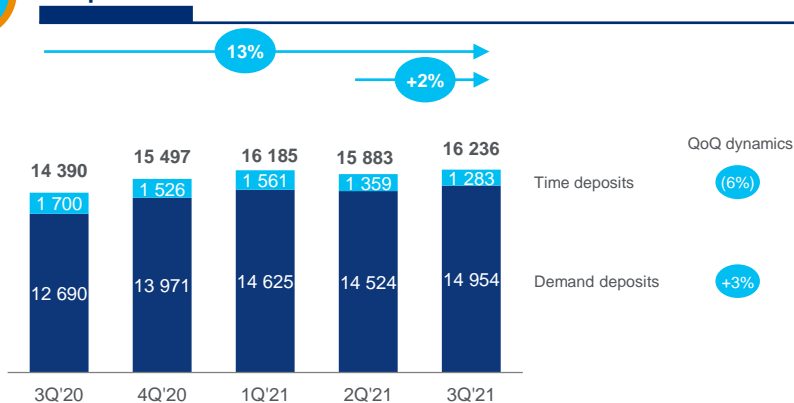
Consumer Banking – business volumes



Loan volumes (PLN MM)



Deposit volumes (PLN MM)



Transactional volumes

Strong quarter in clients transactional activity in strategic areas of the Bank



+38%
YoY

FX volumes



+30%
YoY

Investment products sale



+38%
YoY

Average level of Assets under Management portfolio (AuM)

+25%
YoY

Current account balance

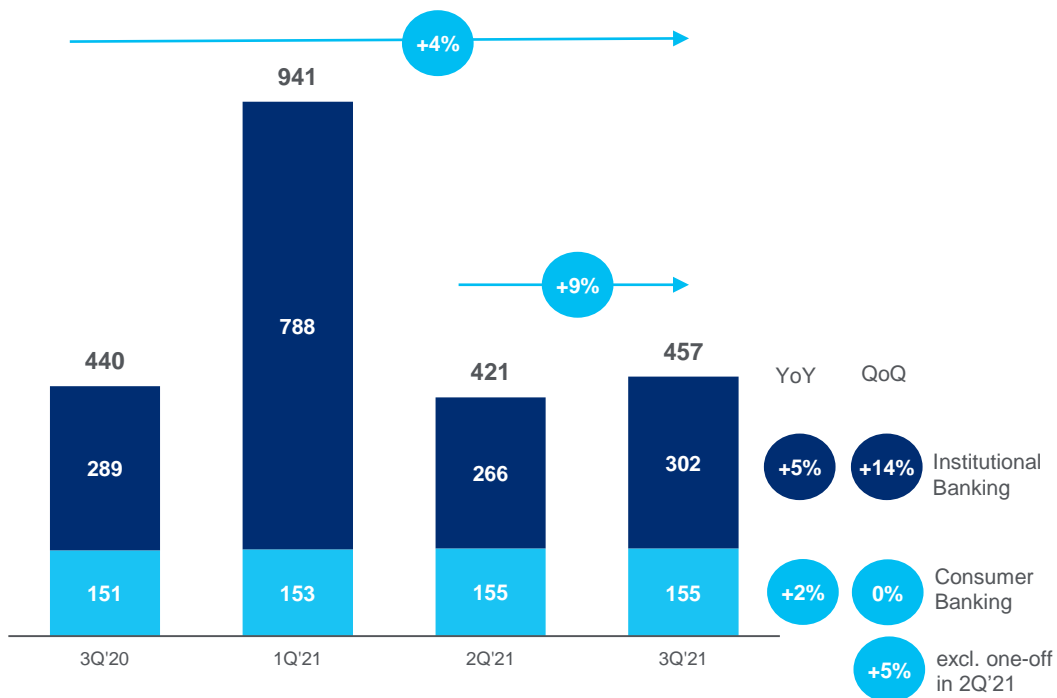


Consolidated financial results

Total revenue

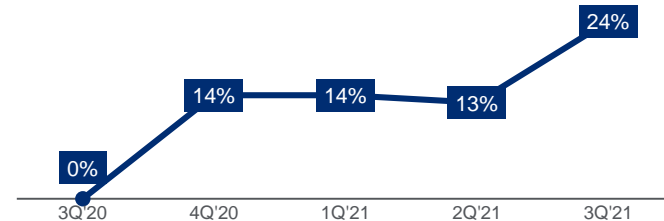
Revenue – segment split (PLN MM)

Revenue growth as a result of record high income on FX



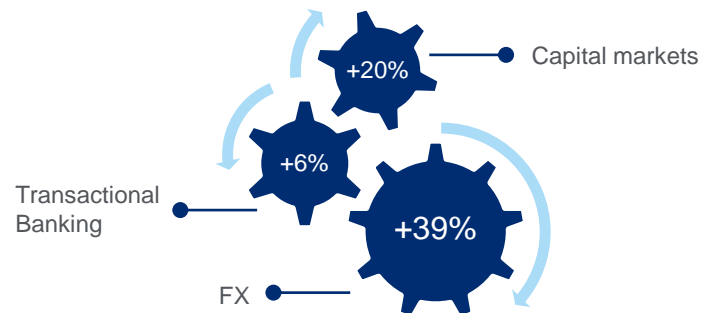
Revenue – Institutional Banking

Client Revenue* – YoY dynamics



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

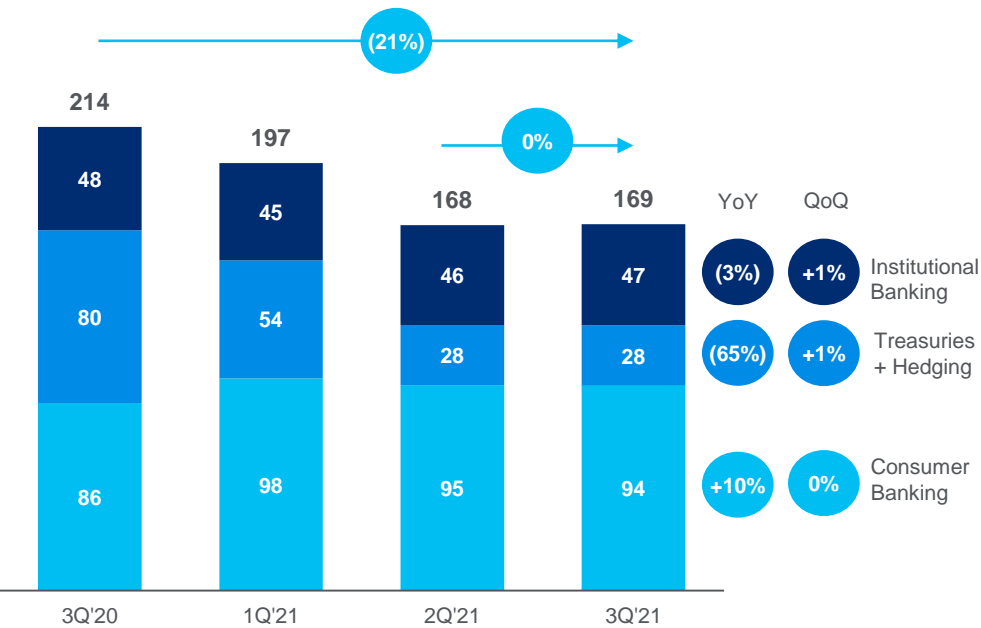
Client revenue YoY dynamics (management view)



Net interest income

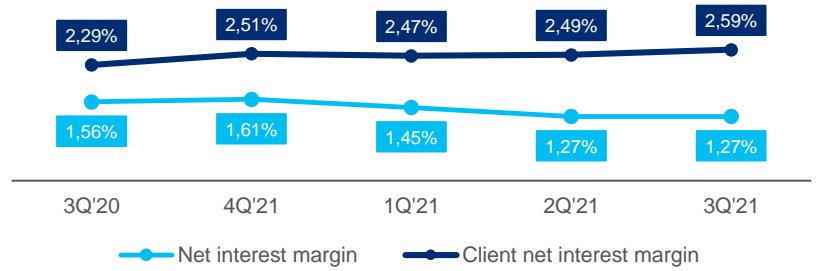
Net interest income – segment split (PLN MM)

Institutional Banking net interest income growth as a result of higher loan volumes

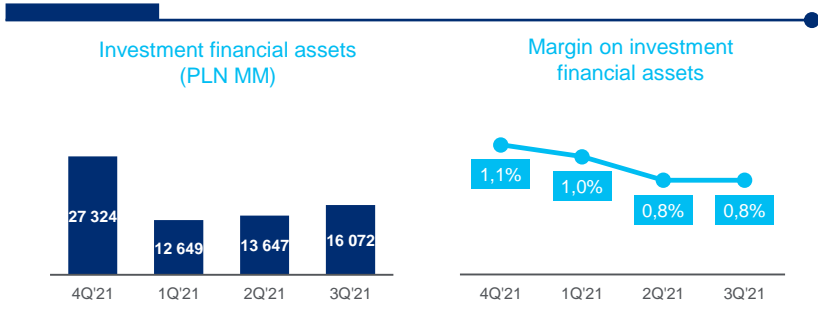


Net interest margin

3rd consecutive quarter of client net interest margin growth



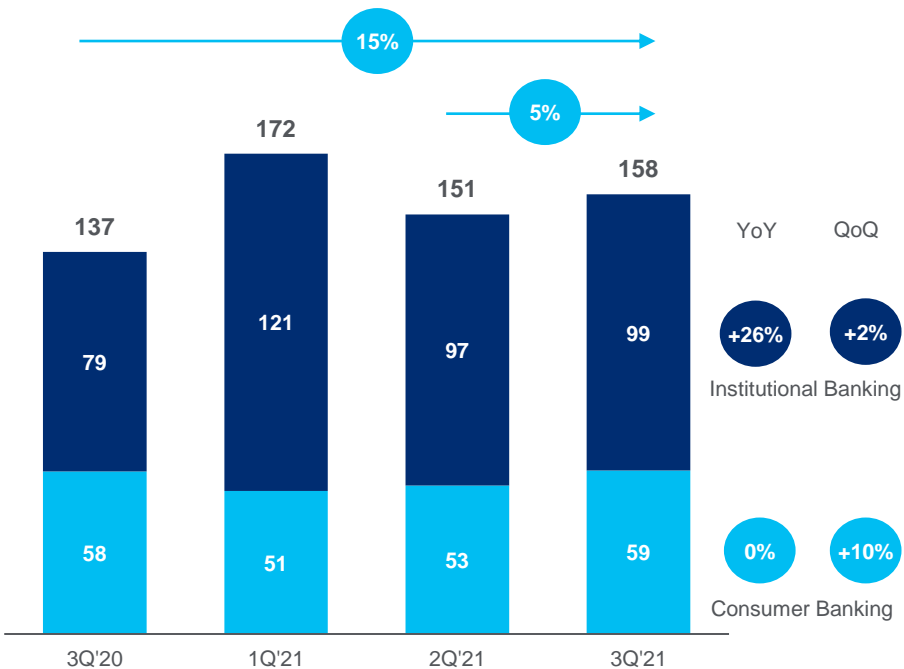
Debt securities



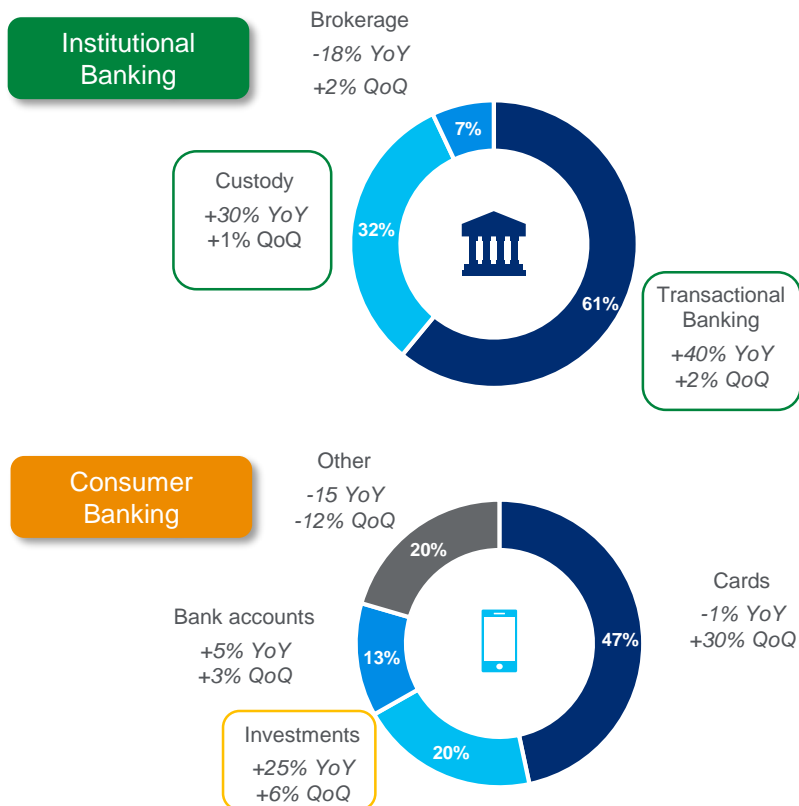
Net fee & commission income

NF&CI – segment split (PLN MM)

NF&CI increase driven by transactional banking, custody and Wealth Management



NF&CI structure and dynamics (3Q 2021)

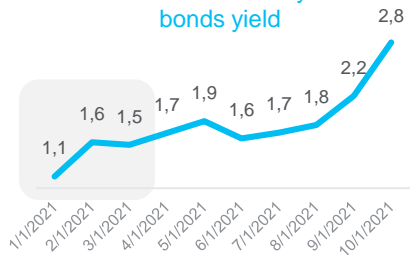


Treasury

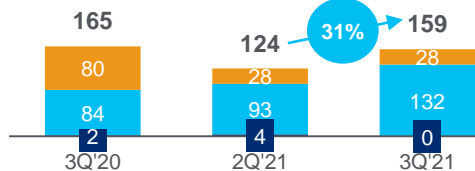
Treasury result (PLN MM)

Treasury bond yield growth

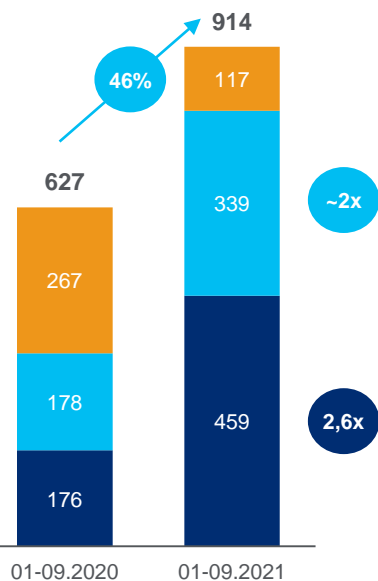
PL10YR treasury bonds yield



(4%)



■ Income on investment financial assets ■ Trading result & client FX ■ Net interest income + hedging

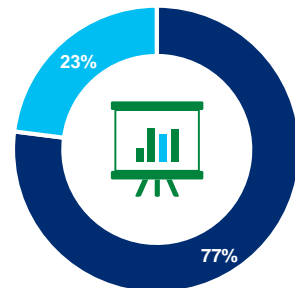


Trading result & client FX

Next quarter of record high income on FX operations

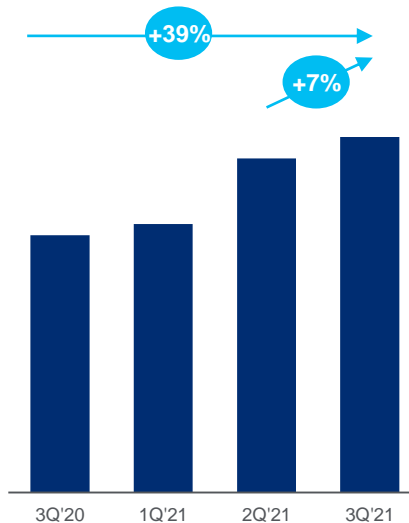
Trading result & client FX

Other



Client FX

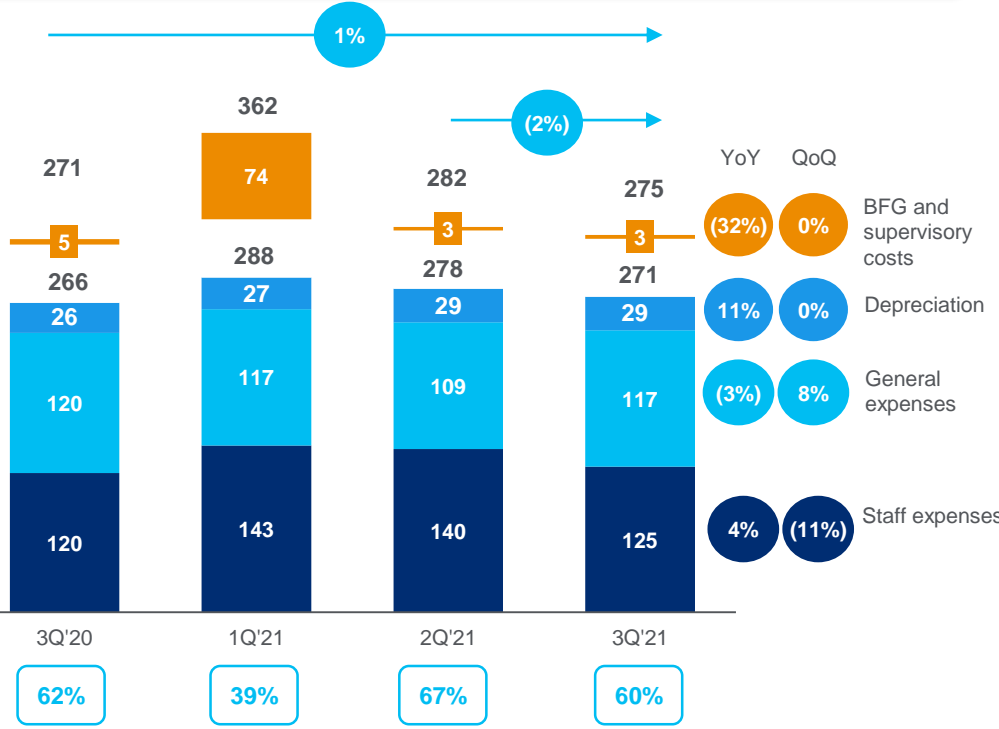
Income on client FX



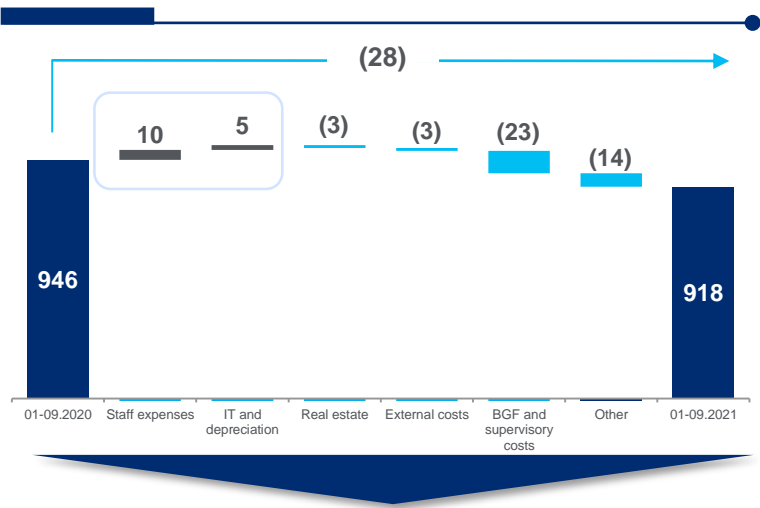
Expenses

Operating expenses (PLN MM)

Operating expenses consistently under control



Operating expenses – structural view (PLN MM)



Investment in machine learning in corporate payments area

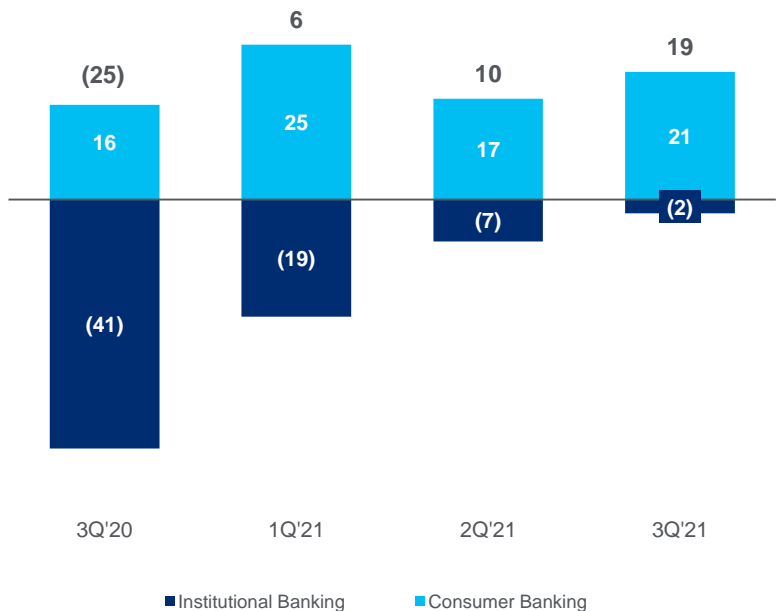
Citi® Payment Outlier Detection
Intelligent Payment Review

Reduce the risk of making incorrect payments. Mechanism based on artificial intelligence and machine learning algorithms will automatically catch unusual transactions.

Cost of Risk

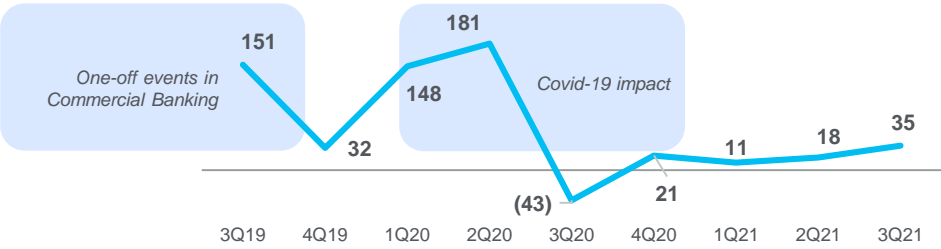
Cost of Risk (PLN MM)

Cost of risk returned to normalized level



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

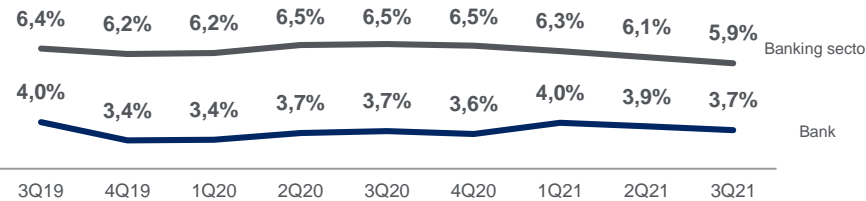
Cost of Risk of the Group (b. p.)



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

NPL ratio for the Group (%)

Loan portfolio quality significantly better comparing to the banking sector



Banking sector data as end of August 2021



Financial results summary

	3Q21	2Q21	ΔQoQ	3Q20	ΔYoY	1-3Q'2021	ΔYoY
Net interest income	169	168	0%	214	(21%)	534	(32%)
Net fee & commission income	158	151	5%	137	15%	481	20%
Core revenue	327	319	2%	351	(7%)	1 015	(14%)
Treasury other	132	97	36%	85	54%	798	126%
	(1)	5	-	4	-	5	(65%)
Total revenue	457	421	9%	440	4%	1 818	17%
Operating expenses	(275)	(282)	(2%)	(271)	1%	(918)	(3%)
Operating margin	183	139	31%	169	8%	900	49%
Cost of risk*	(19)	(10)	94%	25	(174%)	(34)	(81%)
Profit before tax	124	91	36%	166	(25%)	750	125%
Income tax	(30)	(18)	69%	(51)	(41%)	189	84%
Bank levy	(40)	(39)	4%	(29)	39%	115	24%
Net profit	93	73	28%	115	(19%)	561	144%
Assets	60 476	57 661	5%	60 202	0%	60 476	0%
Net loans	20 836	20 597	1%	22 667	(8%)	20 836	(8%)
Deposits	45 133	43 279	4%	45 615	(1%)	45 133	(1%)
Loans / Deposits	46%	48%		50%			
TCR	19,0%	20,8%		20,4%			

*) Znak minus przy kosztach ryzyka oznacza negatywny wpływ na RZIS

Appendix

Macroeconomic environment

GDP of Poland

GDP growth forecasts corrected down by 0.2 p.p. in 2021 and by 0.6 p. p.in 2022

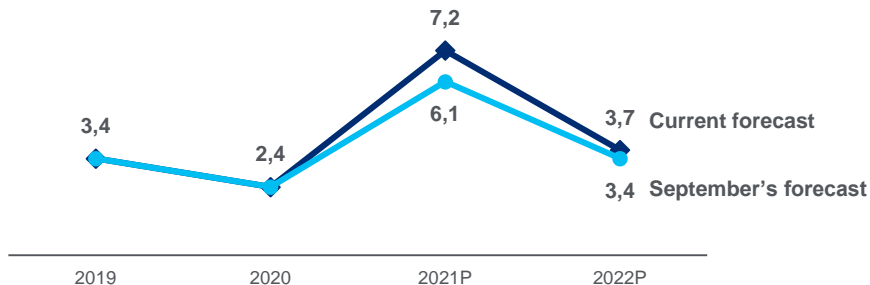


According to Citi analysts

- **Households aggregated savings** driving growth of **domestic consumption**;
- **Industrial production dynamics** still above pre-pandemic trend;
- **Further energy price increase and global slowdown** as main risk factors to macroeconomic scenario (i.a. GDP growth dynamics slowdown in China);
- Global GDP growth at the level of 5.7% in 2021 and 4.2% in 2022

Inflation CPI (% YoY)

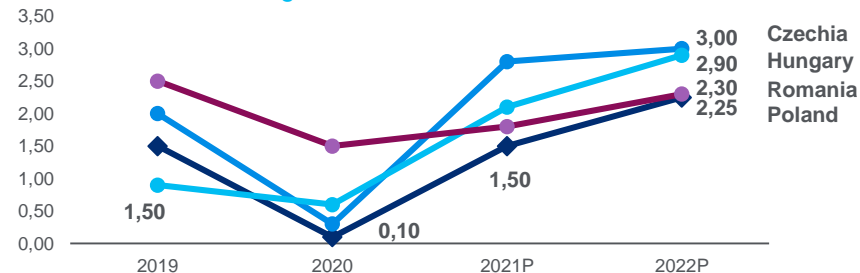
Upward trend will be continued at least till January 2022



According to Citi analysts

NBP reference rate (% end of period)

Interest rates too low comparing to expected economic growth rate and other countries in the region



According to Citi analysts

Capital Group – profit and loss account

PLN MM	3Q20	4Q20	1Q21	2Q21	3Q21	3Q21 vs.2Q21		3Q21 vs.3Q20	
						PLN MM	%	PLN MM	%
Net interest income	214	221	197	168	169	0	0%	(45)	(21%)
Net fee and commission income	137	158	172	151	158	7	5%	21	15%
Dividend income	0	0	0	9	2	(7)	(81%)	1	481%
Net gain on trading financial instruments and revaluation	84	133	115	93	132	38	41%	48	57%
Net gain on debt investment financial assets measured at fair value through other comprehensive income	2	27	456	4	-	(4)	(100%)	(2)	(100%)
Hedge accounting	3	(0)	1	(1)	1	2	-	(1)	(47%)
Treasury	88	160	571	96	133	37	38%	45	51%
Net gain on other equity instruments	8	3	1	3	0	(2)	(87%)	(8)	(96%)
Net other operating income	(7)	(25)	(1)	(6)	(5)	2	(25%)	3	(36%)
Revenue	440	518	941	421	457	36	9%	17	4%
Expenses	(245)	(249)	(335)	(253)	(246)	7	(3%)	(1)	0%
Depreciation	(26)	(27)	(27)	(29)	(29)	0	(0%)	(3)	11%
Expenses and depreciation	(271)	(276)	(362)	(282)	(275)	7	(2%)	(4)	1%
Net impairment allowances on non-financial assets	-	(215)	-	-	-	-	-	-	-
Operating margin	169	242	578	139	183	43	31%	13	8%
Profit/(loss) on sale of tangible fixed assets	(0.0)	(0.1)	(0.3)	(0.2)	0.0	0.2	-	0.1	-
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	25	(12)	(6)	(10)	(19)	(9)	94%	(44)	-
Tax on certain financial institutions	(29)	(31)	(36)	(39)	(40)	(2)	4%	(11)	39%
EBIT	166	(16)	536	91	124	33	36%	(42)	(25%)
Corporate income tax	(51)	(42)	(141)	(18)	(30)	(12)	69%	21	(41%)
Net profit	115	(58)	395	73	93	21	28%	(21)	(19%)
C/I ratio	62%	53%	39%	67%	60%				

Institutional Banking – profit and loss account

PLN MM	3Q20	4Q20	1Q21	2Q21	3Q21	3Q21 vs.2Q21		3Q21 vs. 3Q20	
						PLN MM	%	PLN MM	%
Net interest income	128	119	99	74	74	1	1%	(53)	(42%)
Net fee and commission income	79	105	121	97	99	2	2%	20	26%
Dividend income	0	0	0	1	2	0	14%	1	637%
Net gain on trading financial instruments and revaluation	76	126	107	85	123	38	44%	47	62%
Net gain on debt investment financial assets measured at fair value through other comprehensive income	2	27	456	4	-	(4)	(100%)	(2)	(100%)
Hedge accounting	3	(0)	1	(1)	1	2	-	(1)	(47%)
Treasury	80	152	564	88	125	36	41%	44	55%
Net gain on other equity instruments	0	3	1	3	0	(2)	(87%)	0	-
Net other operating income	2	3	3	2	2	(0)	(17%)	0	5%
Revenue	289	383	788	266	302	37	14%	13	5%
Expenses	(108)	(107)	(182)	(119)	(119)	0	(0%)	(11)	10%
Depreciation	(5)	(5)	(5)	(6)	(6)	(0)	2%	(1)	12%
Expenses and depreciation	(113)	(112)	(188)	(124)	(124)	(0)	0%	(12)	10%
Operating margin	176	271	601	142	178	36	26%	2	1%
Profit/(loss) on sale of tangible fixed assets	0.0	0.0	0.0	-0.1	0.1	0	-	0	-
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	41	15	19	7	2	(5)	(67%)	(39)	(94%)
Tax on certain financial institutions	(23)	(24)	(29)	(32)	(34)	(2)	5%	(11)	49%
EBIT	194	262	590	116	147	30	26%	(48)	(25%)
C/I ratio	39%	29%	24%	47%	41%				

Consumer Banking – profit and loss account

PLN MM	3Q20	4Q20	1Q21	2Q21	3Q21	3Q21 vs.2Q21		3Q21 vs. 3Q20	
						PLN MM	%	PLN MM	%
Net interest income	86	102	98	95	94	(0)	(0%)	8	10%
Net fee and commission income	58	53	51	53	59	5	10%	0	0%
Dividend income	0	-	-	8	-	(8)	(100%)	(0)	(100%)
Net gain on trading financial instruments and revaluation	7	8	7	8	8	1	7%	1	10%
Net gain on other equity instruments	8	-	-	-	-	-	-	(8)	(100%)
Net other operating income	(9)	(27)	(4)	(8)	(7)	2	(23%)	3	(28%)
Revenue	151	135	153	155	155	(0)	(0%)	3	2%
Expenses	(137)	(142)	(153)	(134)	(127)	7	(5%)	10	(7%)
Depreciation	(21)	(21)	(22)	(23)	(23)	0	(1%)	(2)	11%
Expenses and depreciation	(158)	(164)	(175)	(157)	(150)	7	(5%)	8	(5%)
Net impairment allowances on non-financial assets	-	(215)	-	-	-	-	-	-	-
Operating margin	(7)	(29)	(22)	(3)	4	7	-	11	-
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	(16)	(27)	(25)	(17)	(21)	(4)	27%	(5)	35%
Tax on certain financial institutions	(6)	(7)	(7)	(7)	(7)	0	(0%)	(0)	4%
EBIT	(29)	(278)	(55)	(26)	(23)	3	(10%)	6	(20%)
C/I ratio	105%	121%	114%	102%	97%				

Balance Sheet – assets

PLN B	End of period					3Q21 vs. 4Q20		3Q21 vs. 3Q20	
	3Q20	4Q20	1Q21	2Q21	3Q21	PLN B	%	PLN B	%
Cash and balances with the Central Bank	2.2	4.5	14.9	15.0	14.9	10.4	233%	12.7	578%
Amounts due from banks	1.6	0.6	0.8	0.9	1.0	0.4	69%	(0.6)	(40%)
Financial assets held-for-trading	5.5	4.4	5.9	5.2	5.3	1.0	22%	(0.2)	(4%)
Debt financial asstes measured at fair value through other comprehensive income	25.7	27.3	12.6	13.6	16.1	(11.3)	(41%)	(9.7)	(38%)
Customer loans	22.7	21.9	22.3	20.6	20.8	(1.1)	(5%)	(1.8)	(8%)
Financial sector entities	3.7	3.7	3.8	3.4	3.5	(0.3)	(7%)	(0.2)	(6%)
including reverse repo receivables	0.0	-	0.0	0.0	0.0	0.0	-	(0.0)	(96%)
Non-financial sector entities	19.0	18.2	18.5	17.2	17.4	(0.8)	(5%)	(1.6)	(8%)
Institutional Banking	11.7	11.0	11.4	10.2	10.3	(0.7)	(6%)	(1.4)	(12%)
Consumer Banking	7.3	7.2	7.0	7.1	7.1	(0.1)	(2%)	(0.2)	(3%)
Unsecured receivables	5.2	5.0	4.8	4.7	4.7	(0.3)	(7%)	(0.5)	(9%)
Credit cards	2.5	2.5	2.4	2.4	2.4	(0.1)	(3%)	(0.1)	(5%)
Cash loans	2.6	2.5	2.4	2.3	2.2	(0.3)	(10%)	(0.3)	(14%)
Other unsecured receivables	0.0	0.0	0.0	0.0	0.0	(0.0)	(14%)	0.0	1%
Mortgage	2.1	2.2	2.2	2.3	2.4	0.2	8%	0.2	12%
Other assets	2.5	2.3	2.3	2.4	2.3	0.1	2%	(0.1)	(5%)
Total assets	60.2	60.9	58.8	57.7	60.5	(0.5)	(1%)	0.3	0%

Balance Sheet – liabilities and equity

	End of period					3Q21 vs. 4Q20		3Q21 vs. 3Q20	
	3Q20	4Q20	1Q21	2Q21	3Q21	PLN B	%	PLN B	%
PLN B									
Liabilities due to banks	2.3	5.1	2.8	1.6	1.6	(3.5)	(69%)	(0.7)	(31%)
Financial liabilities held-for-trading	3.5	3.7	3.1	3.1	4.9	1.3	34%	1.4	41%
Financial liabilities due to customers	45.6	43.4	44.1	43.3	45.1	1.7	4%	(0.5)	(1%)
Financial sector entities - deposits	6.5	4.6	3.5	4.1	4.0	(0.6)	(12%)	(2.5)	(38%)
Non-financial sector entities - deposits	38.7	38.6	40.3	39.0	40.9	2.3	6%	2.2	6%
Institutional Banking	24.3	23.1	24.1	23.1	24.6	1.5	7%	0.3	1%
Consumer Banking	14.4	15.5	16.2	15.9	16.2	0.7	5%	1.8	13%
Other liabilities	1.2	1.2	1.3	2.0	1.3	0.1	9%	0.1	7%
Total liabilities	52.6	53.4	51.2	50.1	53.0	(0.4)	(1%)	0.3	1%
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	0.4	0.5	0.1	(0.0)	(0.0)	(0.5)	-	(0.40)	-
Other reserves	2.8	2.8	2.8	2.8	2.8	0.0	1%	0.0	1%
Retained earning	0.6	0.6	0.8	0.8	0.6	(0.0)	(0%)	(0.0)	(0%)
Total Equity	7.6	7.6	7.6	7.6	7.5	(0.1)	(1%)	(0.1)	(1%)
Total liabilities & equity	60.2	60.9	58.8	57.7	60.5	(0.5)	(1%)	0.3	0%
Loans / Deposits ratio	50%	51%	51%	48%	46%				
Total Capital Ratio	20.4%	22.6%	21.4%	20.8%	19.0%				
NPL*	3.7%	3.6%	4.0%	3.9%	3.7%				

*as reported, incl. reverse repo