



## Bank Handlowy w Warszawie S.A. 1H 2015 consolidated financial results

August 13, 2015

[www.citihandlowy.pl](http://www.citihandlowy.pl)

Bank Handlowy w Warszawie S.A.

**citi handlowy**<sup>®</sup>

# 1H 2015 Summary

## 1H 2015 net profit: PLN 367 MM (-29% YoY)

### Volumes increase in strategic areas

- Institutional clients portfolio increased by **+6% YTD** vs. declared 8-9% in 2015
- Consumer loans portfolio increased by **+3% YTD** vs. declared 5-6% in 2015
- Individual clients investment portfolio increased by **+17% YoY**
- Foreign exchange volume with SMEs and MMEs increased by **+4% YoY**
- Debt securities portfolio **-16% YTD** – decreasing of interest rates risk level

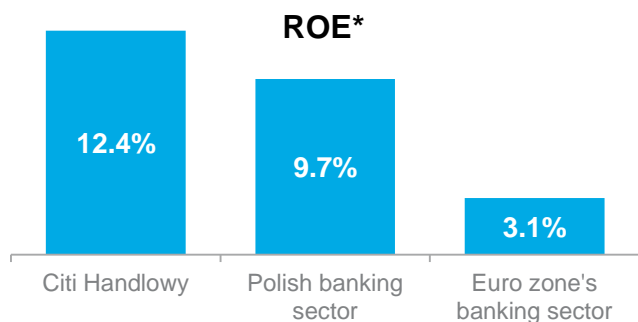
### Citi Handlowy results

- Net interest income **PLN 497 MM** (-17% YoY)
  - Client income **PLN 304 MM** (-10% YoY)
  - Treasury income **PLN 193 MM** (-25% YoY)
- Net fee and commission income **PLN 310 MM** (-4% YoY)
- Treasury result **PLN 276 MM** (-18% YoY)
- Expenses **PLN 624 MM** (-3% YoY)

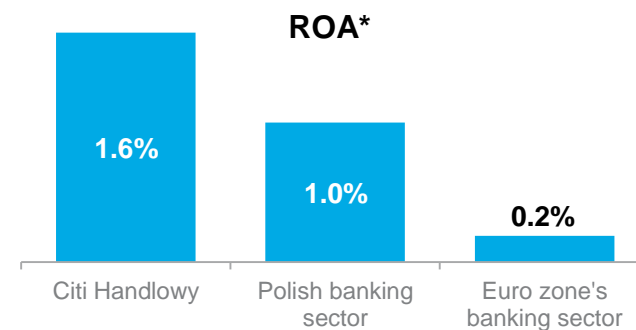
### Stability and safety guarantee

- Strong capital position (**Tier1 16.6%**)
- Positive liquidity position (**loans/deposits 74%**)
- Good **portfolio quality (NPL 4.7%)**
- Low **cost of risk (-0.09%)**
- Free of CHF loans complications
- Ability of dividend policy fulfillment - dividend for 2014 was approved according to Management Board recommendations

### Gained returns better than in banking sector



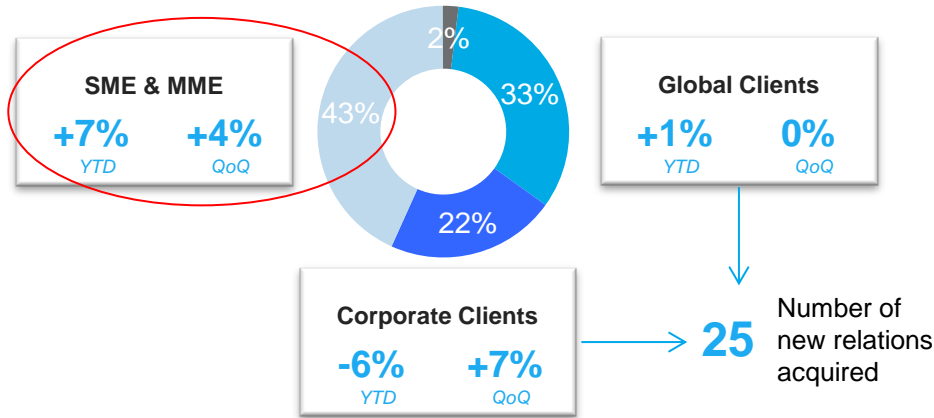
\*ROE= last 4 quarters net profit sum / average last 4 quarters equity excluding net profit. For Euro zone average equity includes net profit.



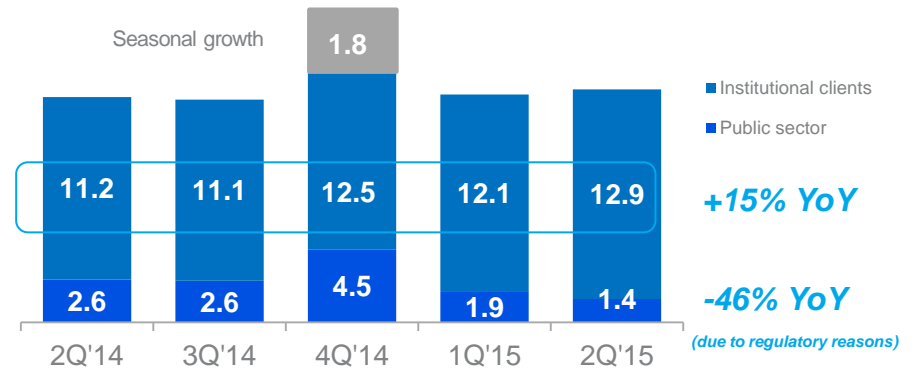
\*ROA= last 4 quarters net profit sum / average last 4 quarters assets

# Institutional Banking

## Lending – systematic build-up of profitable portfolio



## Deposits' volume growth – stable base of economic initiatives financing



## Financial Markets



- **Leading position in foreign exchange operations**

- **#1 Treasury Securities Dealer**
- **7 bond issues** (including the biggest issue for financial institution this year, PLN1.4 B)



- **DM Citi Handlowy #1 in shares brokerage** (11% market share)

## Transactional Banking

- Money transfers in more than **130 currencies** without obligatory FX accounts



**PLN 8,6 B + 219% YoY**  
Value of operations via mobile devices

## Financing – local and global range

Agros Nova assets acquisition

Financing of Canadian company of ORLEN Group

European Logistics Center construction

Part of S7 motorway construction – Complete guarantees issue

# Retail Banking

## Smart Banking concept development



16 #Smart branches

4 new #Smart branches in 1H 2015

**#Smart: 1st sales application in Poland: 100% online**

- **Ecofriendly:** in 100% without use of paper – 1st in Poland
- **Fast:** credit decision in 60 s.
- **Effectively:** electronical agreement with bank in the same day



**80 Mobile advisors in 6 biggest cities in Poland**

- Follow clients : cinemas, shopping malls, airports
- 75% of new card holders buy products taking benefits from mobile advisors

29%

NPS Citibank Online (end of July)

95%

Transactions made via mobile or online channels (2 p.p. increase)

Bank at your fingertips

## Development in strategic areas



**First FCY ATMs in Poland**

- 27 ATMs allowing free of charge EUR, USD withdrawal/payment
- Paid cash is immediately booked on EUR, USD account

**+6% YoY** Citigold Clients    **+37% YoY** Investment sale    **+17% YoY** Investment products portfolio value

**80%**

of Deposit clients choose Citi Priority

## Credit Card offer development



More than half of clients choose Citi Simplicity credit card

More than 7500 Citi Simplicity credit cards issued since May 7th

**Actively used credit cards number grows**

**80%**

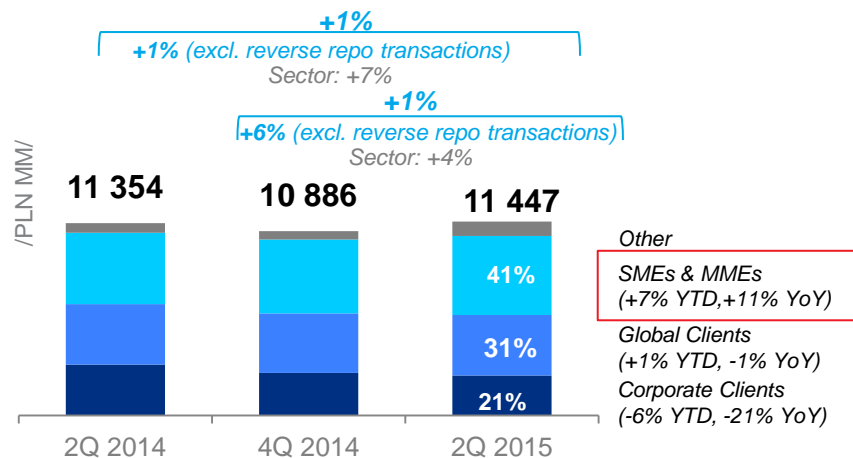
Of new credit cards is actively used by clients in no more than 3 mths since the beginning of the contract

**#1**

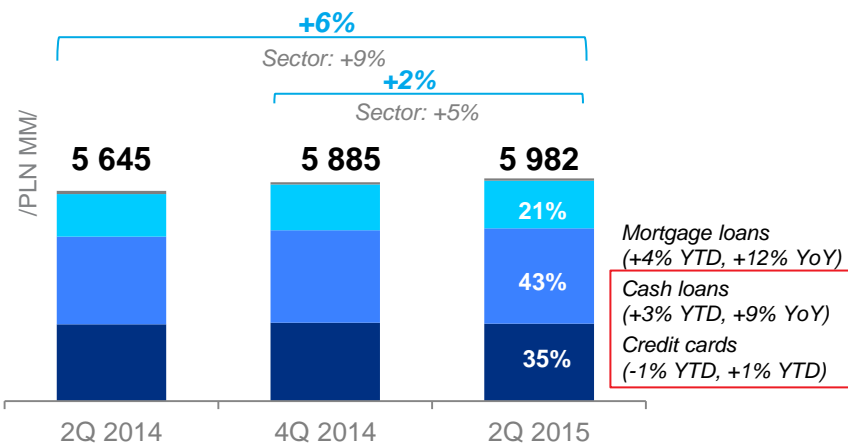
Bank's position in terms of credit card loans value (24% market share)

# Customer volumes

## Institutional non-banking customers' loans

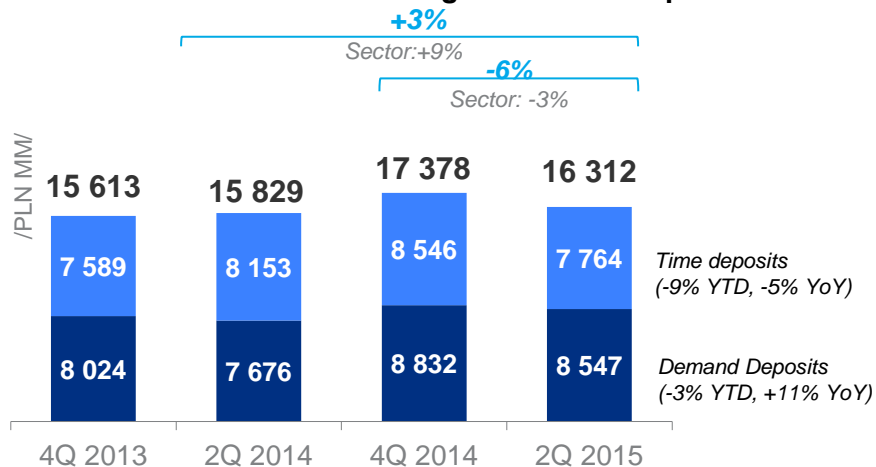


## Individual customers' loans



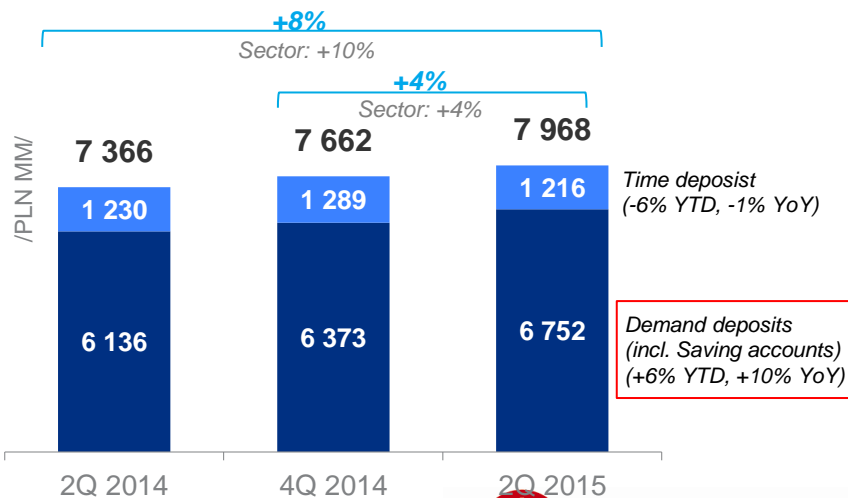
**Loans/Deposits**  
**74%**

## Institutional non-banking customers' deposits



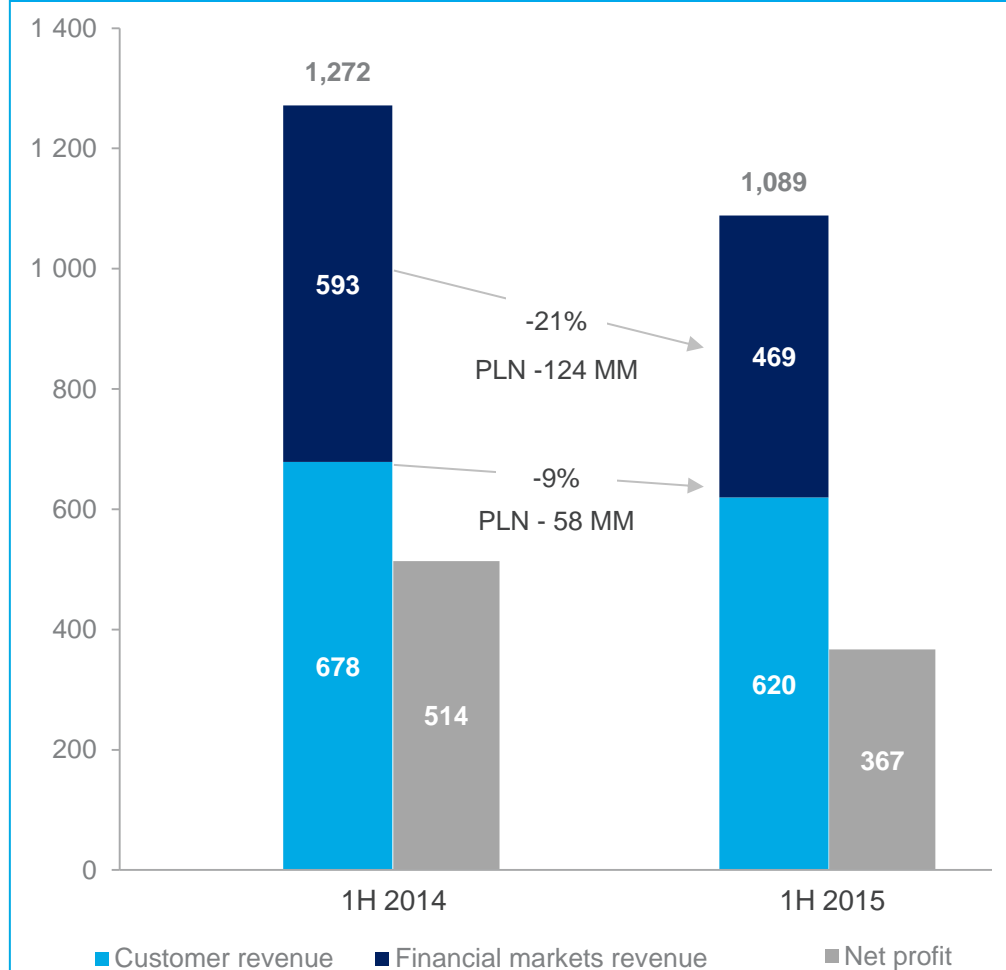
Note: Excluding public sector deposits

## Individual customers' deposits



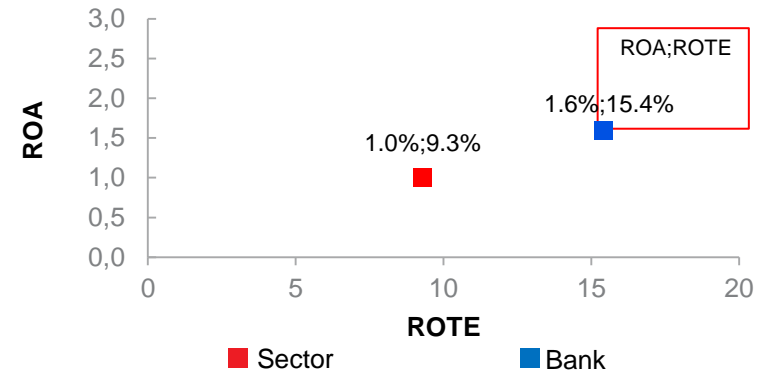
# Revenue and net profit

## Revenue and net profit (PLN MM)

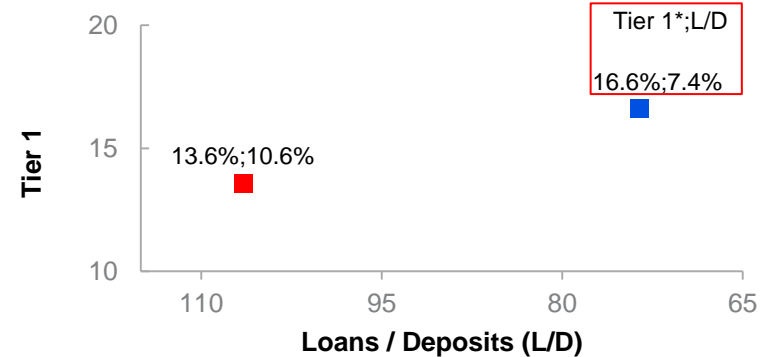


## 1H 2015 Key financial ratios

### ROA / ROTE - Citi Handlowy vs. sector (%)



### Tier 1 / Loans/Deposits – Citi Handlowy vs. sector (%)

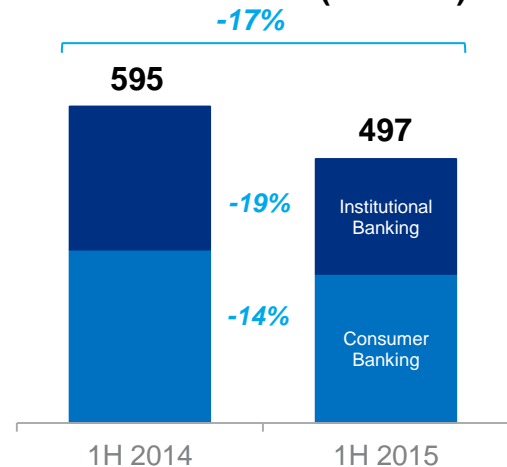


\*Tier 1 = CET1, data for sector as of March 2015 (no data for June 2015).

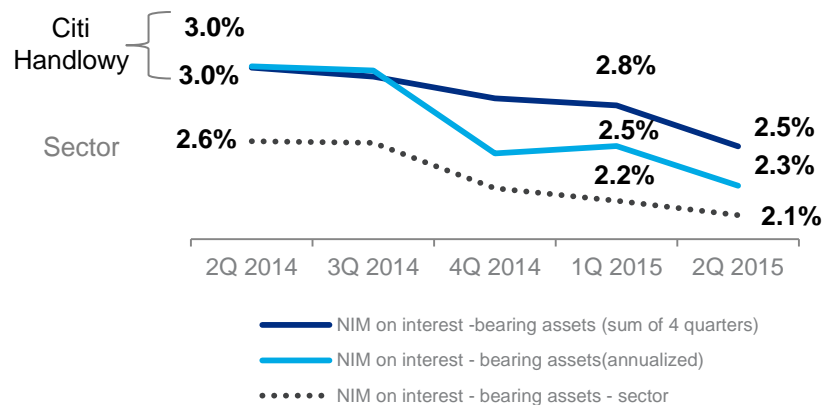
**Key efficiency and safety ratios better than in the banking sector**

# Net interest income and net fee & commission income

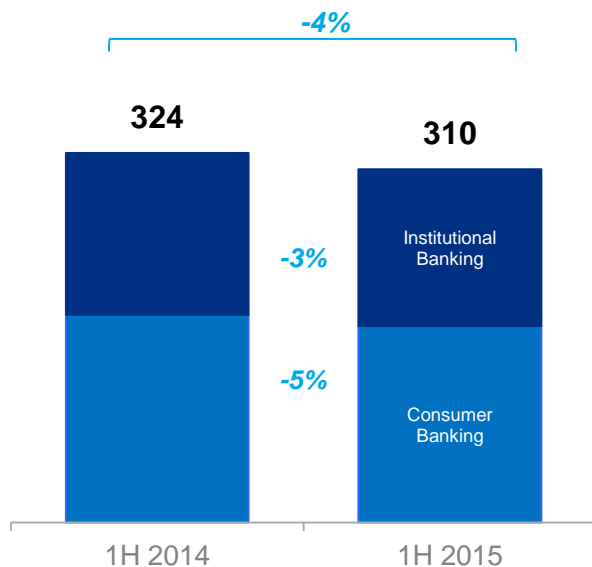
Net interest income (PLN MM)



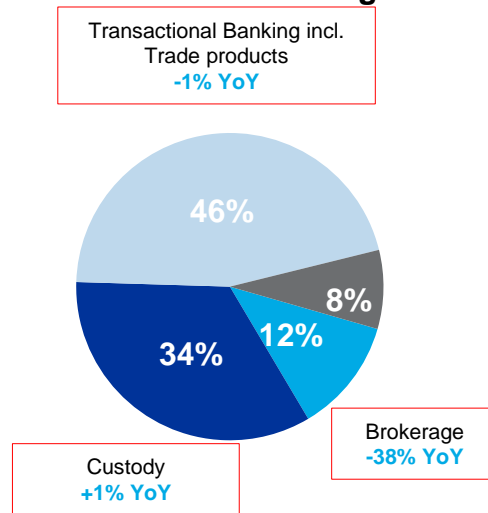
Net Interest Margin (NIM) – Bank vs. sector



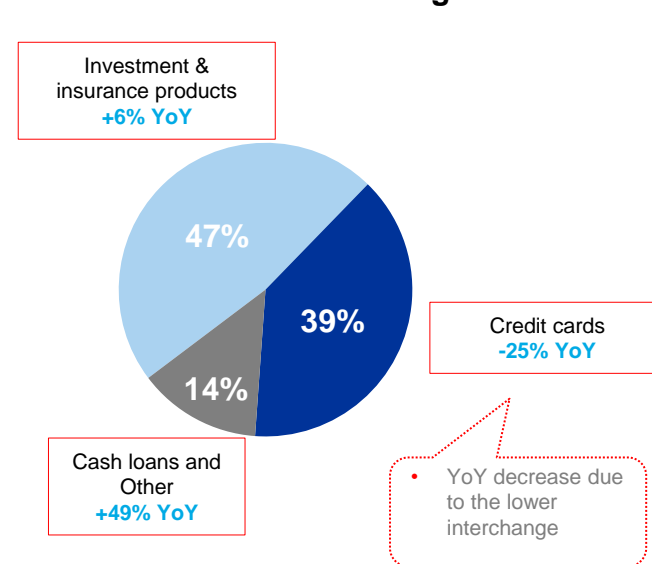
Net fee & commission (PLN MM)



Institutional Banking -3% YoY

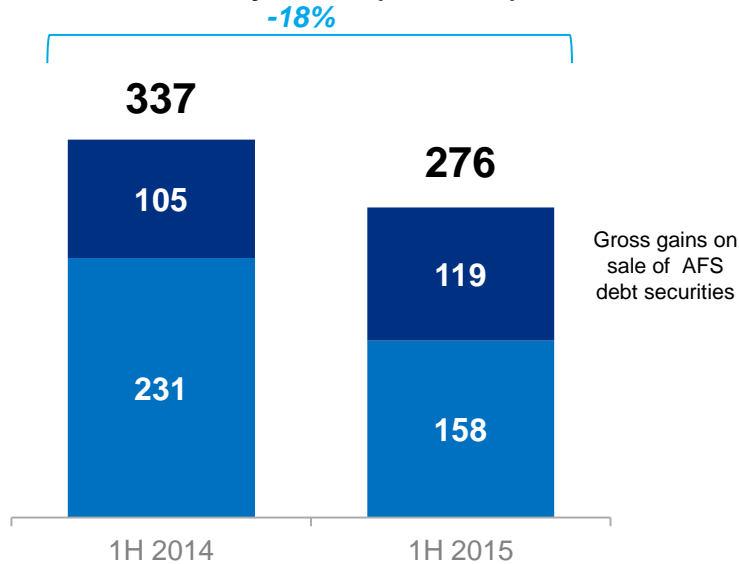


Consumer Banking -5% YoY

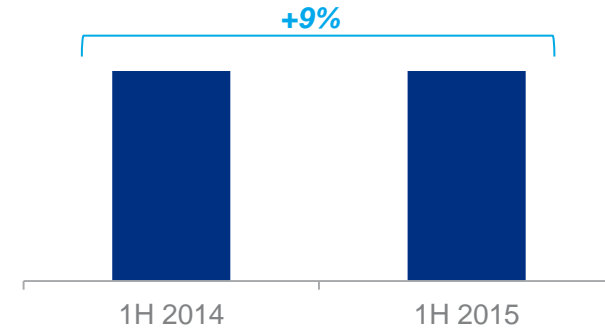


# Treasury

## Treasury result (PLN MM)

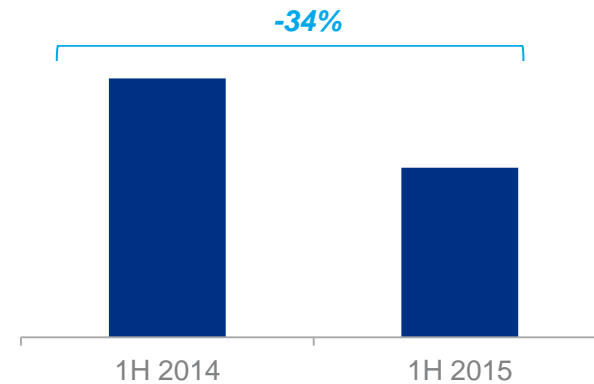


## Result on client operations



Note: Excluding CVA

## Result on the interbank market operations



Note: The scales on the graphs are not comparable.

**CitiFXPULSE**

Leading position in foreign exchange operations

CitiFX Pulse platform usage in 80% of exchange transactions

**#1 on the market**

In the contest of Ministry of Finance



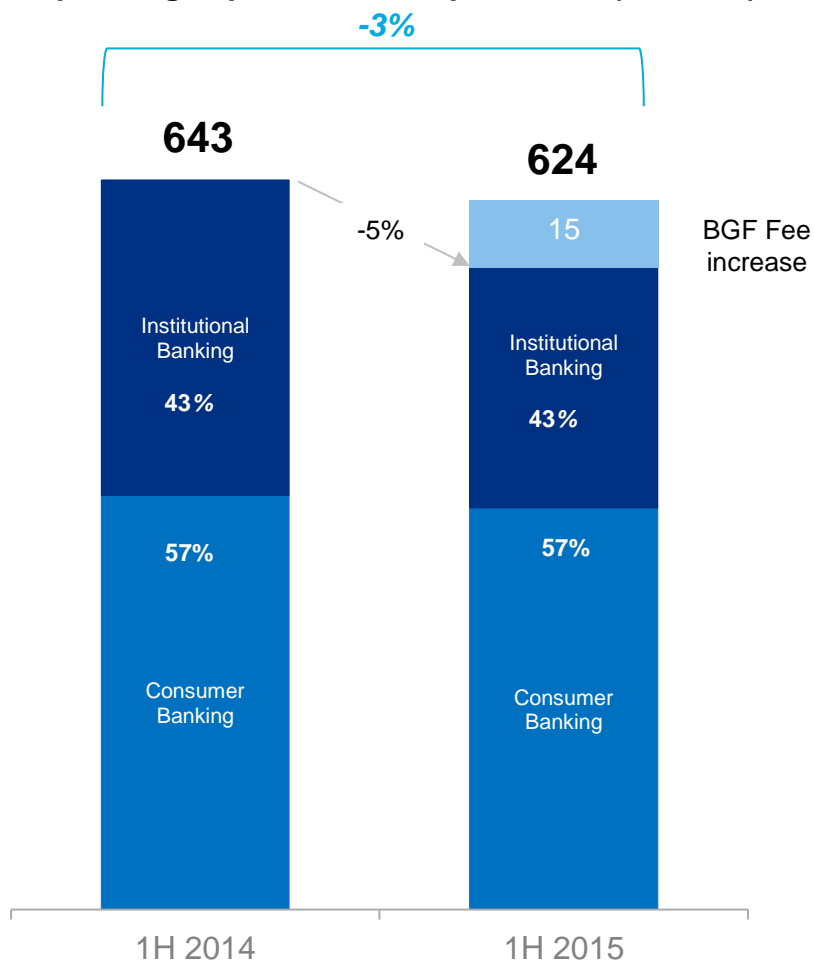
Ministerstwo  
Finansów  
to act as

**Treasury Securities Dealer**

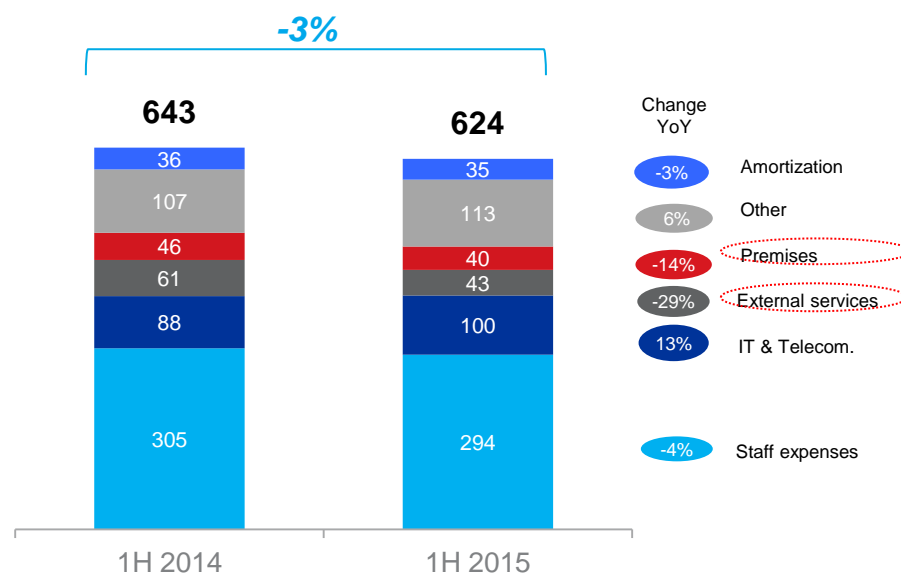


# Consistent cost control

Operating expenses and depreciation (PLN MM)



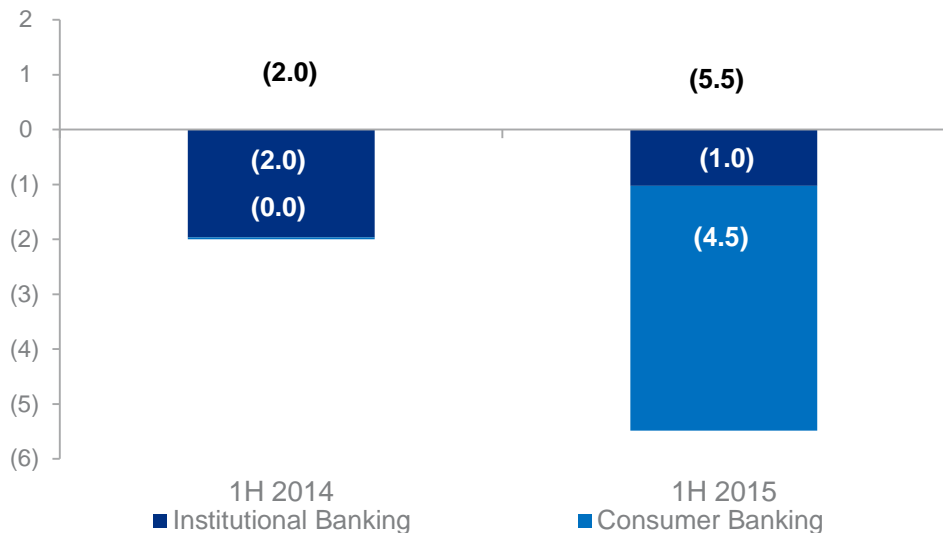
Expenses and depreciation (PL MM) by type



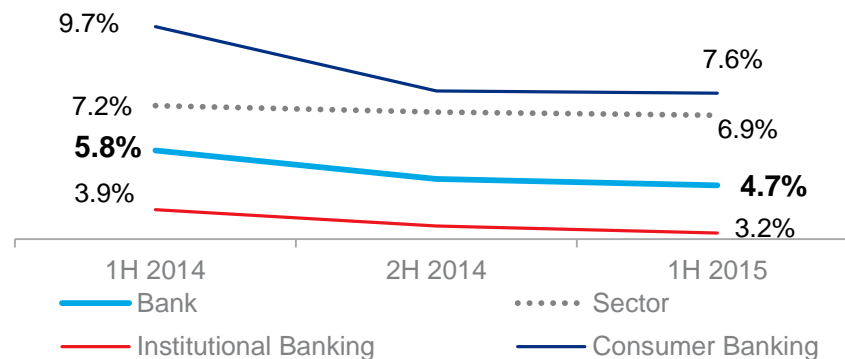
- **The decrease in Bank's expenses** mainly due to reduction of spending on cooperation with selected external partners
- **Expense discipline** allowed for additional **BGF contribution** expenses absorption
- **Cost / Income ratio at 57%** for 1H15 vs. 51% for 1H14

# Positive trend in the area of credit risk

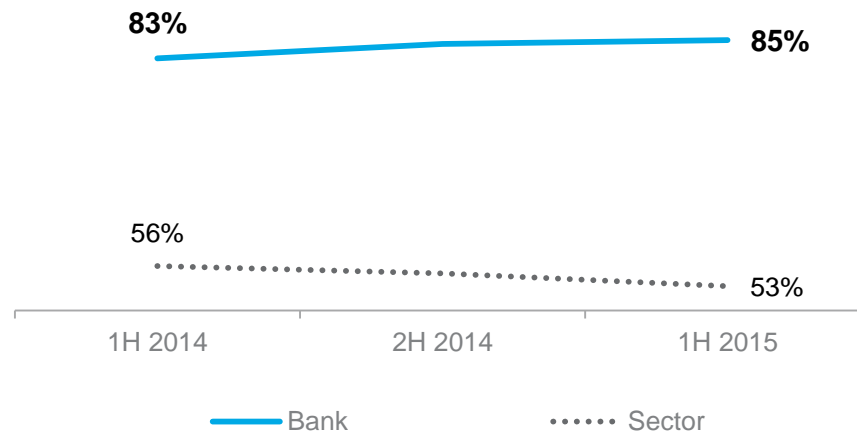
Net impairment losses (PLN MM)



Non-performing loans ratio (NPL)



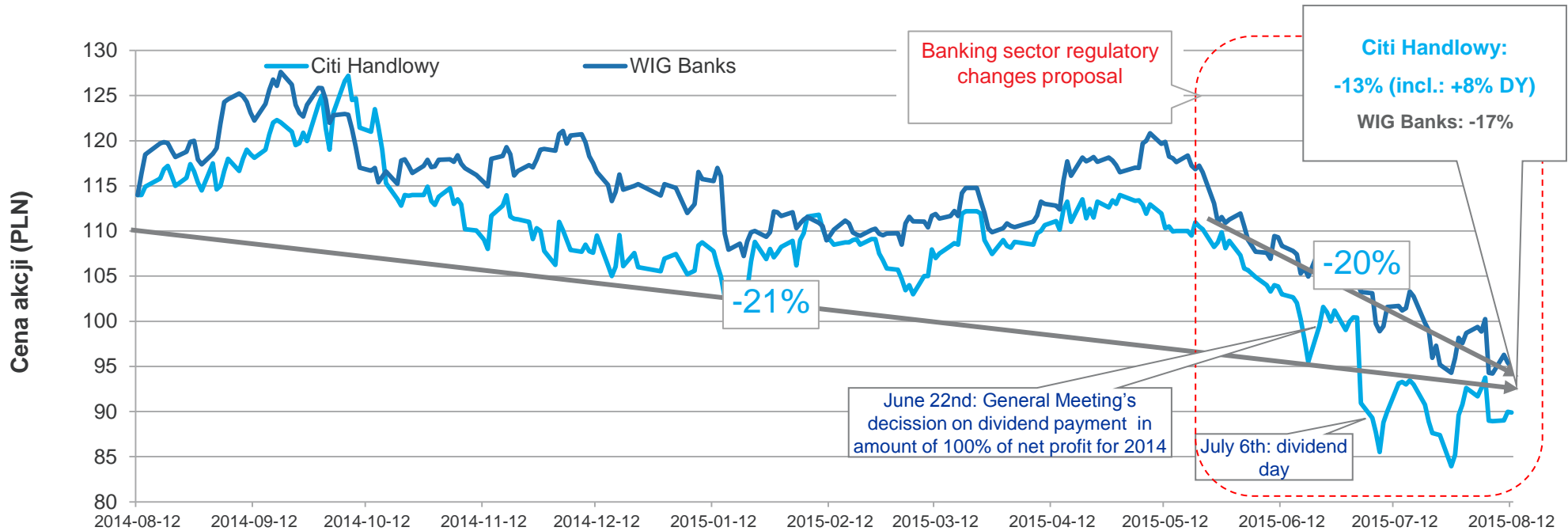
Provision coverage ratio



- A positive trend in Consumer Banking continued – **stabilization of portfolio quality**
- Maintaining low level of **NPL** ratio
- **Provision coverage ratio** better than sector

# Change in Bank's share price in the last 12 months horizon

## Citi Handlowy's share price vs. WIG Banks index

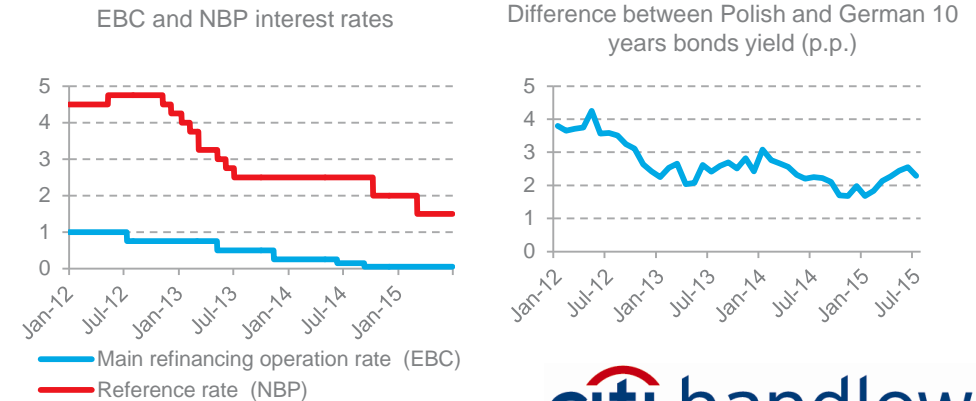


Note: Last quotation on August 12th 2015 (Citi Handlowy: PLN 89,89)

## Polish banks' valuation vs. European competitors

	P/E (average)	P/BV (average)
	12 mths	12 mths
Citi Handlowy	19	2.1
Banks in Poland average	14	1.7
EURO STOXX BANKS	13	0.8

## Interest rates & treasury bonds yield changes



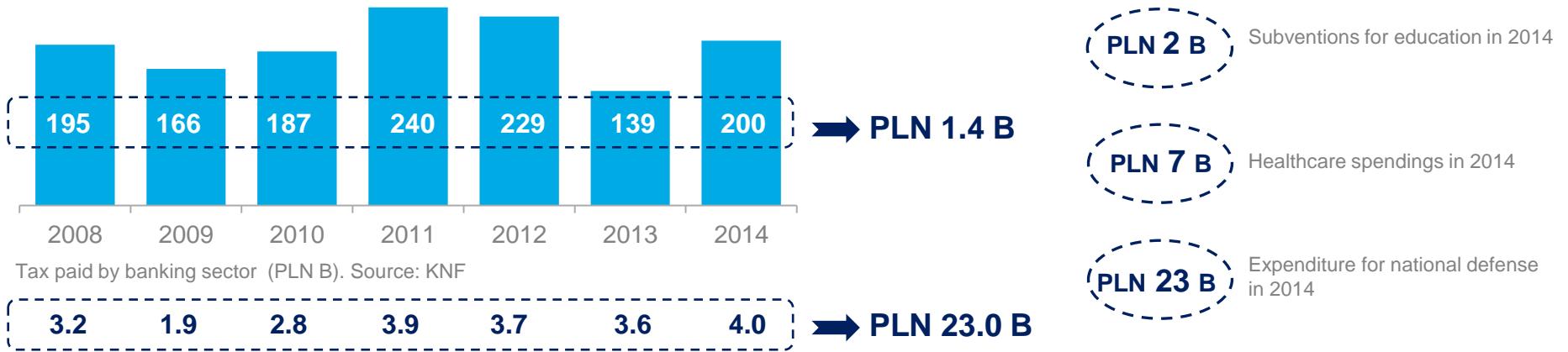
# Risk factors for banking sector

Risk factor	Risk for Citi Handlowy vs. banking sector	Impact on banking sector
Interest rates	HIGH	Net interest income decreased by PLN 1.6 B (-9% YoY) in 1 H 2015
FCY mortgage loans	NOT RELEVANT	Potentially PLN <b>22 B</b> (according to KNF and act approved by Parliament on August 5th 2015)
Bank tax	LOW	Potentially PLN <b>6 B</b> (on the base of sector's asset as of the end of 2Q 2015, assuming 0.39% tax rate)
Changes in BGF	LOW	Assumed contribution increase from PLN 2 B in 2015 to PLN <b>12 B</b> in 2 years. (according to ZBP and BFG Act project)

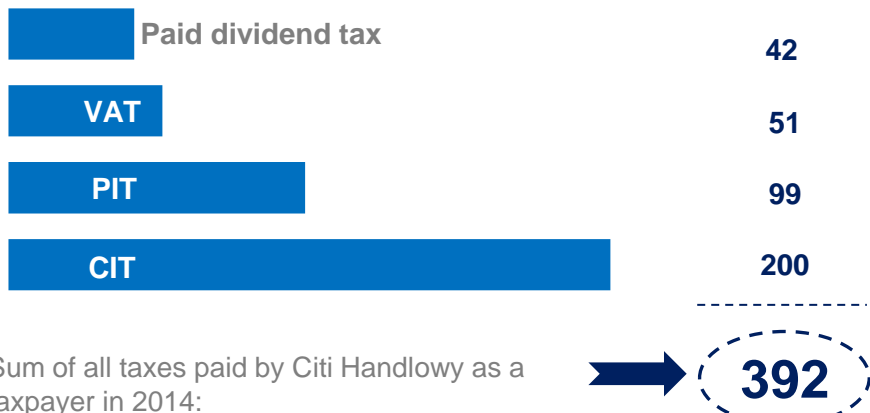
# Taxes paid by Citi Handlowy

## Corporate tax paid by Citi Handlowy

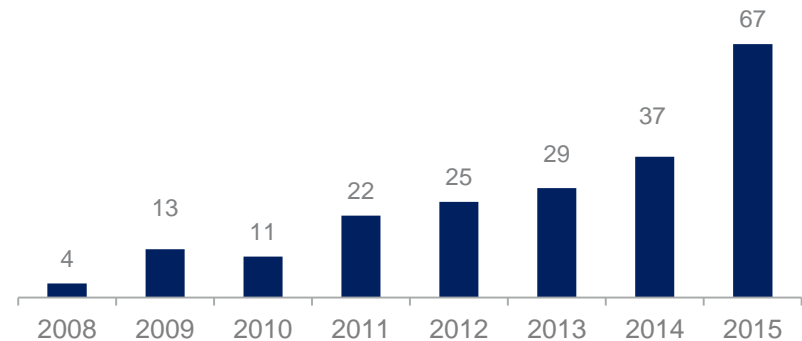
Since the beginning of financial crisis Bank paid to state budget (CIT, PLN)



## Bank's tax burden in 2014 (PLN MM)



## Contribution to BGF \*



\* Own calculations

## Appendix

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# Income statement - Bank

PLN MM	1Q14	2Q14	4Q14	1Q15	2Q15	2Q15 vs. 1Q15		2Q15 vs. 2Q14	
						PLN MM	%	PLN MM	%
<b>Net interest income</b>	<b>302</b>	<b>304</b>	<b>265</b>	<b>257</b>	<b>240</b>	<b>(17)</b>	<b>(7%)</b>	<b>(62)</b>	<b>(21%)</b>
Interest income	388	386	336	310	290	(20)	(7%)	(98)	(25%)
Interest expenses	(86)	(82)	(71)	(53)	(50)	4	(7%)	36	(42%)
<b>Net fee and commission income</b>	<b>167</b>	<b>144</b>	<b>150</b>	<b>151</b>	<b>159</b>	<b>7</b>	<b>5%</b>	<b>(9)</b>	<b>(5%)</b>
Dividend income	6	0	0	-	7	7	-	1	26%
Gains on AFS debt securities	66	58	67	98	20	(78)	(79%)	(45)	(69%)
FX and professional market	106	66	85	86	72	(14)	(16%)	(34)	(32%)
Hedge accounting	-	0	-	-	1	1	-	1	-
<b>Treasury</b>	<b>172</b>	<b>124</b>	<b>152</b>	<b>184</b>	<b>93</b>	<b>(91)</b>	<b>(49%)</b>	<b>(78)</b>	<b>(46%)</b>
Net gain on equity investment instruments	-	1	3	-	-	-	-	-	-
Net other operating income	5	4	(1)	(1)	(1)	(0)	3%	(6)	(128%)
<b>Revenue</b>	<b>651</b>	<b>577</b>	<b>568</b>	<b>591</b>	<b>498</b>	<b>(93)</b>	<b>(16%)</b>	<b>(153)</b>	<b>(24%)</b>
Expenses	(310)	(286)	(310)	(295)	(294)	1	(0%)	17	(5%)
Depreciation	(18)	(18)	(18)	(18)	(18)	0	(0%)	0	(2%)
<b>Expenses and depreciation</b>	<b>(328)</b>	<b>(304)</b>	<b>(327)</b>	<b>(313)</b>	<b>(311)</b>	<b>1</b>	<b>(0%)</b>	<b>17</b>	<b>(5%)</b>
<b>Operating margin</b>	<b>323</b>	<b>273</b>	<b>241</b>	<b>278</b>	<b>186</b>	<b>(92)</b>	<b>(33%)</b>	<b>(137)</b>	<b>(42%)</b>
Profit/(loss) on sale of tangible fixed assets	0	1	5	0	0	0	1600%	(0)	(53%)
<b>Net impairment losses</b>	<b>(4)</b>	<b>8</b>	<b>12</b>	<b>(4)</b>	<b>(2)</b>	<b>2</b>	<b>(44%)</b>	<b>2</b>	<b>(55%)</b>
Share in profits / (losses) of entities valued at the equity method	0	0	(0)	0	0	0	200%	(0)	(89%)
<b>EBIT</b>	<b>319</b>	<b>282</b>	<b>258</b>	<b>275</b>	<b>184</b>	<b>(90)</b>	<b>(33%)</b>	<b>(134)</b>	<b>(42%)</b>
Corporate income tax	(53)	(53)	(53)	(58)	(34)	23	(41%)	18	(35%)
<b>Net profit</b>	<b>266</b>	<b>228</b>	<b>205</b>	<b>217</b>	<b>150</b>	<b>(67)</b>	<b>(31%)</b>	<b>(116)</b>	<b>(44%)</b>
<b>C/I ratio</b>	<b>50%</b>	<b>53%</b>	<b>58%</b>	<b>53%</b>	<b>63%</b>				

# Institutional Banking – income statement

PLN MM	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	2Q15 vs. 1Q15		2Q15 vs. 2Q14	
							PLN MM	%	PLN MM	%
<b>Net interest income</b>	<b>132</b>	<b>137</b>	<b>132</b>	<b>116</b>	<b>111</b>	<b>105</b>	<b>(11)</b>	<b>(9%)</b>	<b>(26)</b>	<b>(20%)</b>
Interest income	199	203	194	168	151	144	(24)	(14%)	(55)	(28%)
Interest expenses	(67)	(66)	(62)	(52)	(40)	(39)	13	(25%)	29	(42%)
<b>Net fee and commission income</b>	<b>69</b>	<b>73</b>	<b>66</b>	<b>71</b>	<b>67</b>	<b>70</b>	<b>(1)</b>	<b>(2%)</b>	<b>1</b>	<b>2%</b>
Dividend income	-	2	0	0	-	1	1	-	1	-
Gains on AFS debt securities	40	66	58	67	98	20	(47)	(70%)	(19)	(49%)
FX and professional market	118	98	57	77	78	64	(13)	(17%)	(54)	(46%)
Hedge accounting	(1)	-	0	-	-	1	1	-	2	-
<b>Treasury</b>	<b>157</b>	<b>164</b>	<b>115</b>	<b>144</b>	<b>177</b>	<b>85</b>	<b>(59)</b>	<b>(41%)</b>	<b>(72)</b>	<b>(46%)</b>
Net gain on equity investment instruments	3	-	1	3	-	-	(3)	(1)	(3)	1
Net other operating income	11	9	10	2	5	2	(1)	(28%)	(9)	(86%)
<b>Revenue</b>	<b>371</b>	<b>385</b>	<b>324</b>	<b>337</b>	<b>361</b>	<b>264</b>	<b>(73)</b>	<b>(22%)</b>	<b>(107)</b>	<b>(29%)</b>
Expenses	(129)	(137)	(119)	(131)	(131)	(127)	4	(3%)	2	(1%)
Depreciation	(6)	(6)	(6)	(6)	(6)	(6)	0	(3%)	0	(6%)
<b>Expenses and depreciation</b>	<b>(135)</b>	<b>(142)</b>	<b>(125)</b>	<b>(137)</b>	<b>(137)</b>	<b>(133)</b>	<b>4</b>	<b>(3%)</b>	<b>2</b>	<b>(1%)</b>
<b>Operating margin</b>	<b>236</b>	<b>243</b>	<b>199</b>	<b>199</b>	<b>223</b>	<b>130</b>	<b>(69)</b>	<b>(35%)</b>	<b>(105)</b>	<b>(45%)</b>
Profit/(loss) on sale of tangible fixed assets	0	0	1	0	0	0	0	50%	(0)	(98%)
Net impairment losses	(2)	0	12	(12)	(3)	2	14	-	4	-
Share in profits / (losses) of entities valued at the equity method	(0)	0	0	(0)	0	0	0	-	0	-
<b>EBIT</b>	<b>234</b>	<b>243</b>	<b>212</b>	<b>187</b>	<b>220</b>	<b>133</b>	<b>(55)</b>	<b>(29%)</b>	<b>(101)</b>	<b>(43%)</b>
<b>C/I ratio</b>	<b>36%</b>	<b>37%</b>	<b>39%</b>	<b>41%</b>	<b>38%</b>	<b>51%</b>				



# Retail Banking – income statement

PLN MM	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	2Q15 vs. 1Q15		2Q15 vs. 2Q14	
							PLN MM	%	PLN MM	%
<b>Net interest income</b>	161	165	172	149	146	135	(14)	(9%)	(27)	(17%)
Interest income	180	185	192	168	159	145	(22)	(13%)	(35)	(19%)
Interest expenses	(19)	(20)	(20)	(19)	(13)	(11)	8	(44%)	8	(43%)
<b>Net fee and commission income</b>	88	94	78	79	84	88	9	12%	0	0%
Dividend income	-	4	-	-	-	6	6	-	6	-
FX and professional market	8	8	9	8	7	8	1	7%	0	7%
Net other operating income	(8)	(4)	(6)	(3)	(7)	(3)	1	(17%)	5	(63%)
<b>Revenue</b>	<b>250</b>	<b>266</b>	<b>253</b>	<b>232</b>	<b>230</b>	<b>234</b>	<b>2</b>	<b>1%</b>	<b>(15)</b>	<b>(6%)</b>
Expenses	(167)	(174)	(167)	(179)	(164)	(167)	12	(7%)	1	(0%)
Depreciation	(12)	(12)	(12)	(12)	(12)	(12)	(0)	1%	0	(3%)
<b>Expenses and depreciation</b>	<b>(179)</b>	<b>(186)</b>	<b>(179)</b>	<b>(190)</b>	<b>(176)</b>	<b>(178)</b>	<b>12</b>	<b>(6%)</b>	<b>1</b>	<b>(1%)</b>
<b>Operating margin</b>	<b>70</b>	<b>80</b>	<b>75</b>	<b>42</b>	<b>55</b>	<b>56</b>	<b>14</b>	<b>33%</b>	<b>(14)</b>	<b>(21%)</b>
<b>Net impairment losses</b>	<b>5</b>	<b>(5)</b>	<b>(4)</b>	<b>24</b>	<b>(0)</b>	<b>(4)</b>	<b>(28)</b>	<b>-</b>	<b>(9)</b>	<b>-</b>
<b>EBIT</b>	<b>75</b>	<b>75</b>	<b>70</b>	<b>71</b>	<b>54</b>	<b>52</b>	<b>(19)</b>	<b>(27%)</b>	<b>(23)</b>	<b>(31%)</b>
<b>C/I ratio</b>	<b>72%</b>	<b>70%</b>	<b>71%</b>	<b>82%</b>	<b>76%</b>	<b>76%</b>				

# Balance Sheet

PLN B	End of period						2Q15 vs. 1Q15		2Q15 vs. 2Q14	
	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	PLN B	%	PLN B	%
<b>Cash and balances with the Central Bank</b>	<b>2,0</b>	<b>1,2</b>	<b>0,7</b>	<b>1,5</b>	<b>0,7</b>	<b>5,3</b>	<b>4,6</b>	<b>619%</b>	<b>4,1</b>	<b>337%</b>
Amounts due from banks	4,1	4,6	2,6	2,1	2,0	3,6	1,7	85%	(1,0)	(22%)
Financial assets held-for-trading	7,6	7,0	10,8	12,7	13,7	9,6	(4,0)	(29%)	2,7	38%
<b>Debt securities available-for-sale</b>	<b>13,4</b>	<b>12,9</b>	<b>15,8</b>	<b>14,4</b>	<b>11,2</b>	<b>13,2</b>	<b>2,0</b>	<b>18%</b>	<b>0,3</b>	<b>2%</b>
<b>Customer loans</b>	<b>18,0</b>	<b>17,0</b>	<b>17,7</b>	<b>16,8</b>	<b>17,1</b>	<b>17,4</b>	<b>0,3</b>	<b>2%</b>	<b>0,4</b>	<b>3%</b>
<b>Financial sector entities</b>	<b>2,6</b>	<b>1,2</b>	<b>1,3</b>	<b>1,0</b>	<b>1,4</b>	<b>1,0</b>	<b>(0,4)</b>	<b>(26%)</b>	<b>(0,2)</b>	<b>(16%)</b>
including reverse repo receivables	2,0	0,6	0,7	0,6	0,9	0,6	(0,4)	(39%)	0,0	1%
<b>Non-financial sector entities</b>	<b>15,4</b>	<b>15,8</b>	<b>16,4</b>	<b>15,7</b>	<b>15,8</b>	<b>16,4</b>	<b>0,6</b>	<b>4%</b>	<b>0,6</b>	<b>4%</b>
<b>Institutional Banking</b>	<b>10,0</b>	<b>10,1</b>	<b>10,6</b>	<b>9,9</b>	<b>9,9</b>	<b>10,4</b>	<b>0,5</b>	<b>5%</b>	<b>0,3</b>	<b>3%</b>
<b>Consumer Banking</b>	<b>5,4</b>	<b>5,6</b>	<b>5,8</b>	<b>5,9</b>	<b>5,8</b>	<b>6,0</b>	<b>0,1</b>	<b>3%</b>	<b>0,3</b>	<b>6%</b>
Unsecured receivables	4,3	4,5	4,6	4,6	4,6	4,7	0,1	3%	0,2	4%
Credit cards	2,0	2,1	2,1	2,1	2,0	2,1	0,1	4%	0,0	1%
Cash loans	2,2	2,4	2,4	2,5	2,5	2,6	0,1	2%	0,2	8%
Other unsecured receivables	0,1	0,1	0,1	0,1	0,1	0,1	(0,0)	(6%)	(0,0)	(24%)
Mortgage	1,1	1,1	1,2	1,2	1,3	1,3	0,0	1%	0,1	12%
Other assets	2,9	2,7	2,7	2,3	2,5	2,5	(0,0)	(2%)	(0,2)	(8%)
<b>Total assets</b>	<b>48,0</b>	<b>45,4</b>	<b>50,3</b>	<b>49,8</b>	<b>47,2</b>	<b>51,7</b>	<b>4,4</b>	<b>9%</b>	<b>6,3</b>	<b>14%</b>
Liabilities due to banks	6,9	4,1	8,8	5,1	4,7	9,5	4,7	100%	5,4	133%
Financial liabilities held-for-trading	5,2	5,8	6,4	6,8	7,3	7,6	0,3	4%	1,8	31%
<b>Financial liabilities due to customers</b>	<b>26,6</b>	<b>26,3</b>	<b>26,4</b>	<b>29,6</b>	<b>26,1</b>	<b>26,1</b>	<b>(0,1)</b>	<b>(0%)</b>	<b>(0,2)</b>	<b>(1%)</b>
<b>Financial sector entities - deposits</b>	<b>4,1</b>	<b>4,6</b>	<b>4,7</b>	<b>3,1</b>	<b>3,2</b>	<b>3,4</b>	<b>0,2</b>	<b>6%</b>	<b>(1,2)</b>	<b>(26%)</b>
<b>Non-financial sector entities - deposits</b>	<b>21,1</b>	<b>21,2</b>	<b>21,1</b>	<b>26,4</b>	<b>21,9</b>	<b>22,3</b>	<b>0,4</b>	<b>2%</b>	<b>1,1</b>	<b>5%</b>
<b>Institutional Banking</b>	<b>13,8</b>	<b>13,9</b>	<b>13,7</b>	<b>18,7</b>	<b>14,0</b>	<b>14,3</b>	<b>0,3</b>	<b>2%</b>	<b>0,5</b>	<b>3%</b>
<b>Consumer Banking</b>	<b>7,2</b>	<b>7,4</b>	<b>7,4</b>	<b>7,7</b>	<b>7,9</b>	<b>8,0</b>	<b>0,1</b>	<b>1%</b>	<b>0,6</b>	<b>8%</b>
Other financial liabilities	1,4	0,5	0,7	0,1	1,0	1,0	0,0	0%	0,6	126%
Other liabilities	1,8	2,3	1,4	0,9	1,5	2,0	0,5	33%	(0,3)	(14%)
<b>Total liabilities</b>	<b>40,5</b>	<b>38,4</b>	<b>43,1</b>	<b>42,4</b>	<b>39,6</b>	<b>45,1</b>	<b>5,5</b>	<b>14%</b>	<b>6,6</b>	<b>17%</b>
<b>Equity</b>	<b>7,5</b>	<b>6,9</b>	<b>7,2</b>	<b>7,4</b>	<b>7,6</b>	<b>6,6</b>	<b>(1,0)</b>	<b>(13%)</b>	<b>(0,3)</b>	<b>(5%)</b>
<b>Total liabilities &amp; equity</b>	<b>48,0</b>	<b>45,4</b>	<b>50,3</b>	<b>49,8</b>	<b>47,2</b>	<b>51,7</b>	<b>4,4</b>	<b>9%</b>	<b>6,3</b>	<b>14%</b>
Loans / Deposits ratio	73%	74%	78%	60%	72%	74%				
Capital Adequacy Ratio	16,6%	17,0%	16,4%	17,5%	17,7%	16,6%				
NPL*	5,8%	5,8%	5,3%	4,9%	4,7%	4,7%				

18 \*as reported, incl. reverse repo