

Bank Handlowy w Warszawie S.A.

Consolidated financial results
for 3Q'22

November 14th, 2022

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

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3Q'22 | Financial results summary

Continued high activity of Institutional Clients in the area of FX transactions, transaction banking and growth of granted loans volume. Solid business results in Wealth Management.



Financials

Revenue PLN 760 MM	Net profit PLN 284 MM	ROE 18.8%
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Balance YoY dynamics

Loans +4%	Deposits +7%
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Total capital ratio.

TCR 17.8%



Institutional Banking

- **Revenues:** decrease by 26% QoQ due to treasury portfolio repositioning, partially offset by higher interest income
- **Loans:** insignificant decrease by 1% QoQ as a result of single repayments according to schedule. On the other hand, high sale of new loans maintained, increase by 31% QoQ, especially in strategically important area - Commercial Banking
- **Customer FX:** another consecutive quarter of growing volumes, increase by 8% QoQ
- **Strong business volumes** in transaction banking in the area of transborder payments, corporate cards and trade financing assets, driven by growing demand for liquidity management instruments in trade financing



Consumer Banking

- **Revenues:** decrease by 23% QoQ as a result of recognition of credit holidays costs in interest income
- **Private Banking:** increase of Citigold Private Client number by 4% QoQ, driven by dedicated deposit offer for new and current funds
- **Cards:** high card transaction volume maintained on the pre-pandemic level, as a result of higher clients' activeness

Business activity

Institutional Banking | Key transactions



EUR 863.5 MM

Syndicated loan

Participation in current debt refinancing and construction of third terminal financing

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Digital sector company

One of the largest in recent years card program with annual spending up to

PLN 70 MM

Allow the company for process automation and security increase

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Award

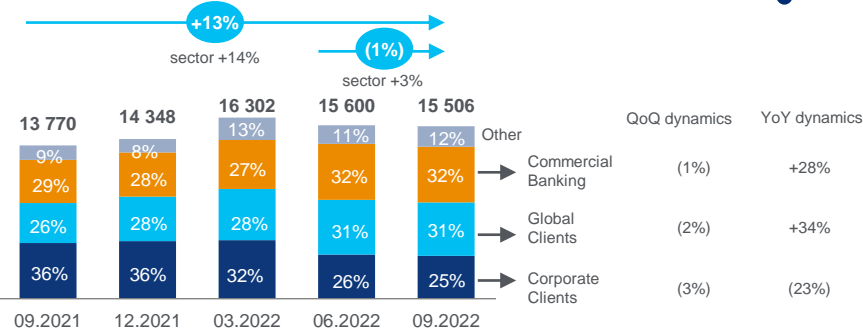


Institutional Banking | Business volumes

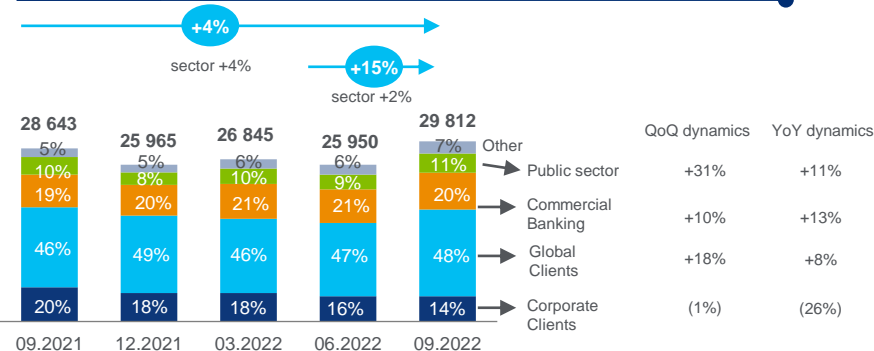
High Institutional Clients liquidity, another consecutive quarter of growing FX volumes



Loan volumes (PLN MM)

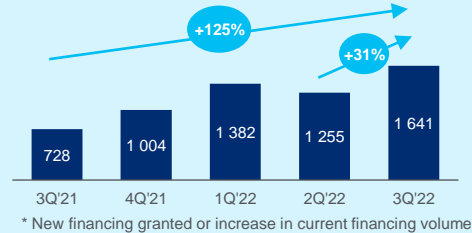


Deposit volumes (PLN MM)

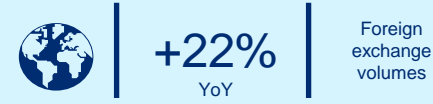


3Q 2022 transaction volumes

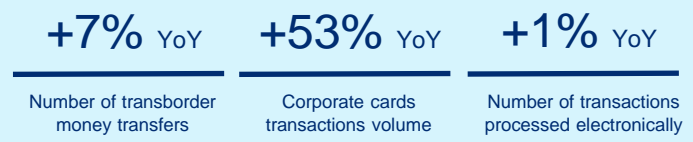
1. New loans to institutional clients (PLN MM)*



2. FX volumes



3. Transaction Banking

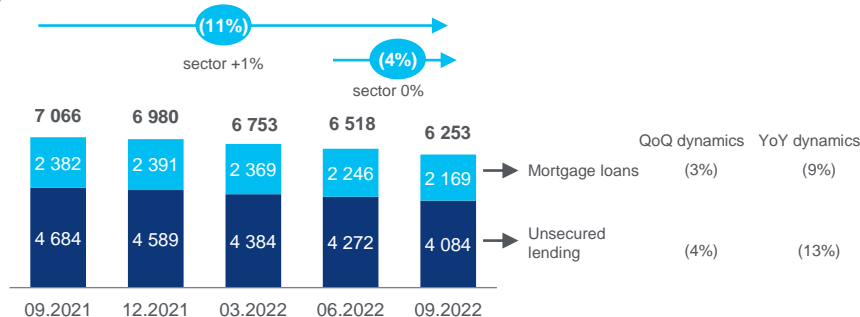


Consumer Banking | Business volumes

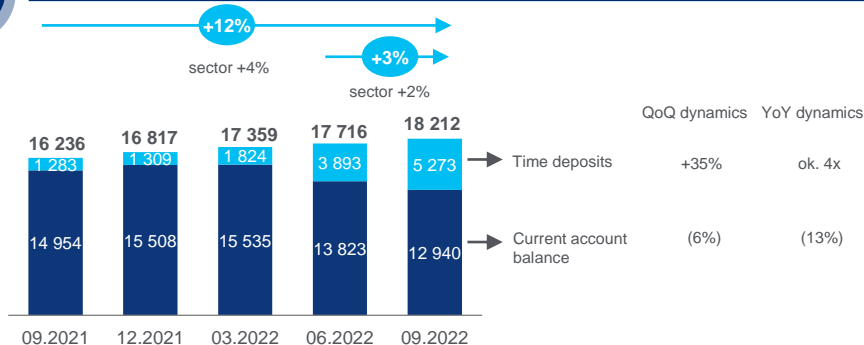
Continuation of growth in Wealth Management



Loan volumes (PLN MM)



Deposit volumes (PLN MM)



3Q 2022 transaction volumes

1. FX volumes



+72% YoY

FX turnover volume

75%

(increase by 10 p.p. YoY)
of transactions are processed via CitiKantor

2. Wealth Management – Citigold Private Clients

+5% YoY

Average level of Total Relationship Balance

Competitive deposit offer



+10% YoY

Number of Citigold Private Clients

3. Cards

+10% YoY

Card transactions value (domestic transactions)

+14% YoY

Card transactions value (foreign transactions)

Wealth management | Competitive deposit offer



New volumes

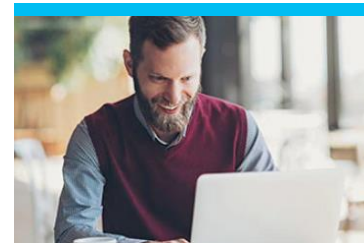
- New personal account clients – increase by **50% YoY** in CitiKonto
- Number of affluent clients - Citigold Private Client grew to record level (**+10% YoY**)
- Deposit volumes growth by **7% YoY**

PLN deposit offer

- **7.8%** Time deposit for new Citigold and Citigold Private Clients
- Time deposit for new funds with **7%** interest, and in November up to **8%** within the temporary offers for current clients
- Super Saving account for current funds with **6%** interests up to PLN 20,000 with no time limit

Foreign currency deposits offer

- Market leader in USD and GBP foreign currency deposits offer
- Deposit offer with **3%** interest for 6 months for new funds in USD and GDP



Social commitment



INTEGRATION AND ACTIVATION OF MIGRANTS AND REFUGEES

- **3rd Edition of Hello Entrepreneurship Program – realized in cooperation with ASHOKA Polska**
 - 125 migrants and refugees participated in series of frameworks and trainings preparing for own social enterprise establishing
 - 10 social enterprises established by refugees and migrants received financing
 - Report on entrepreneurship of women, that migrated to Poland after war in Ukraine escalation
- **Launch of new project for refugees from Ukraine and Polish unemployed mothers WELCOME!Witamy! – realized together with Mampracuj.pl foundation**
 - We will help for 300 women from Poland and Ukraine to finding own place on job market in Poland
 - We will also help them in integration and creation of support network
 - Warsaw, Krakow, Wrocław, Olsztyn

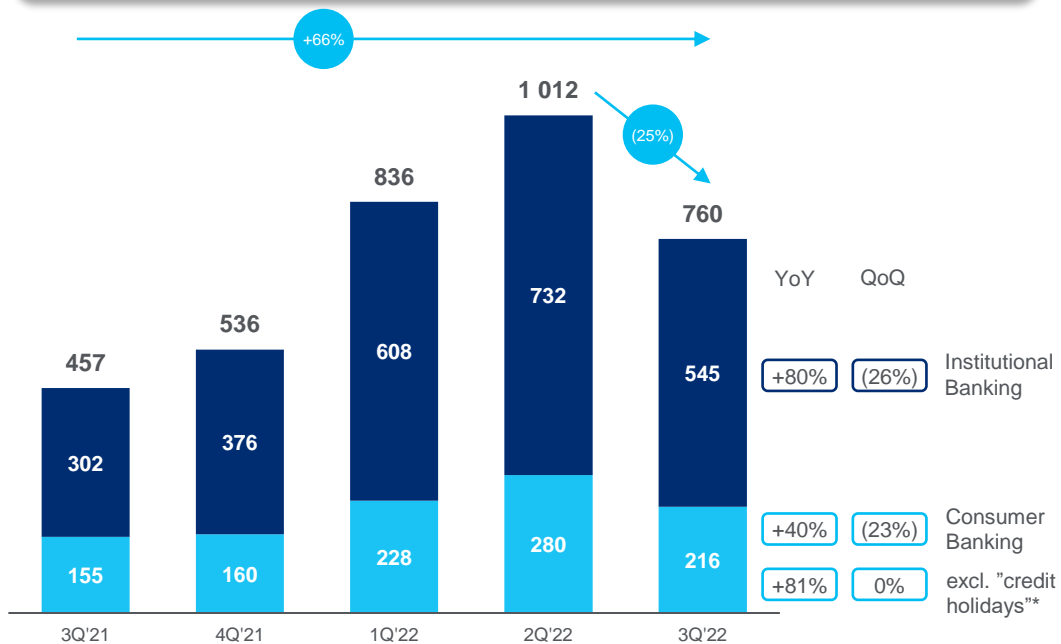


Consolidated financial results

Total revenue

Revenue – segment split (PLN MM)

Revenue decrease driven by one-off events: lower income on own treasury activity and recognition of credit holidays' impact

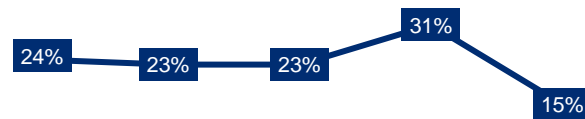


* Recognized impact of credit holidays on gross carrying value of mortgages in 3Q'22 amounted to PLN 63.3 MM

Revenue – Institutional Banking

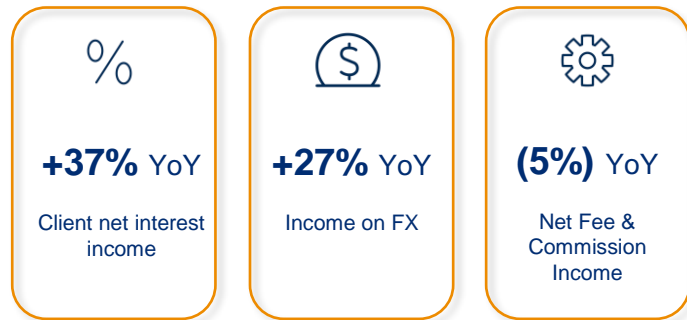
Continued strong income on FX supported by growth of interest income, partially offset by higher interest expenses

Client revenue – dynamics YoY*



3Q'21 4Q'21 1Q'22 2Q'22 3Q'22

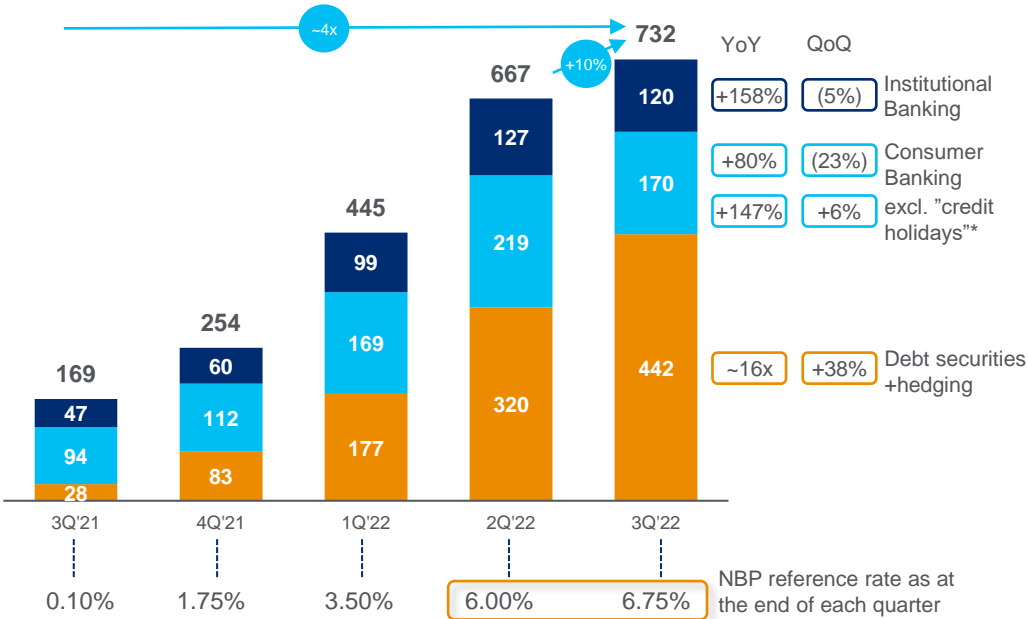
*) Client revenue : client net interest income, net fees & commission income, income on FX



Net interest income

Net interest income – segment split (PLN MM)

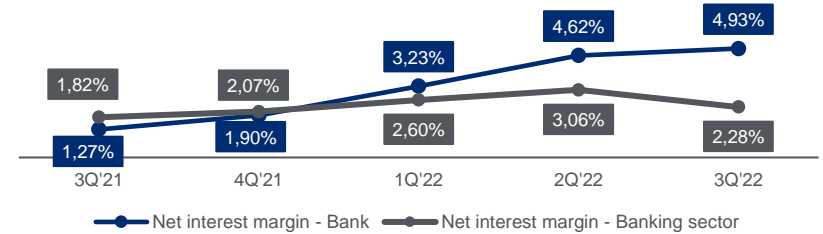
Continued growth of net interest income, as a result of higher interest income in treasury



* Recognized impact of credit holidays on gross carrying value of mortgages in 3Q'22 amounted to PLN 63.3 MM

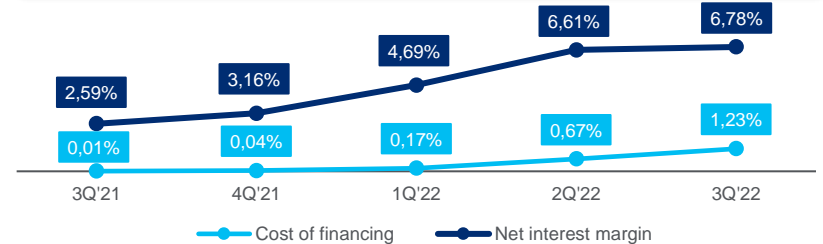
Net interest margin – comparison with the sector

NIM better in the bank comparing to the sector



NIM and cost of financing (clients)

Increase of client financing costs

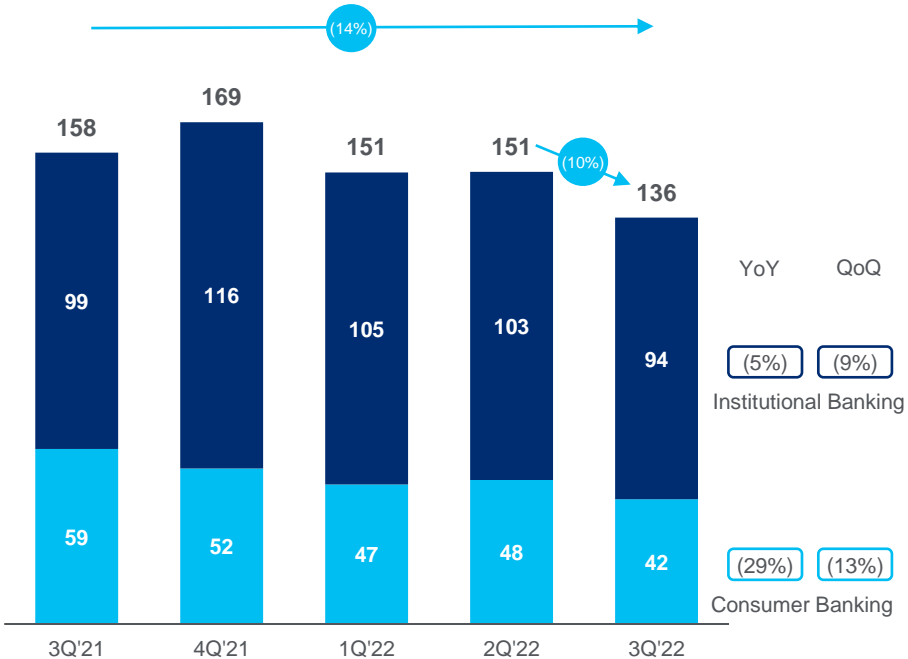


For presentation purpose cost of financing displayed with positive numbers

Net fee & commission income

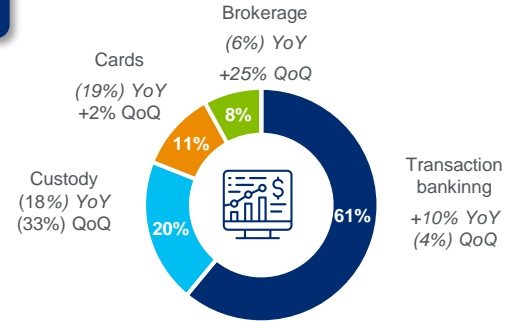
NF&CI – segment split (PLN MM)

Decrease of NF&CI impacted by one-off events in the areas of custody and cards

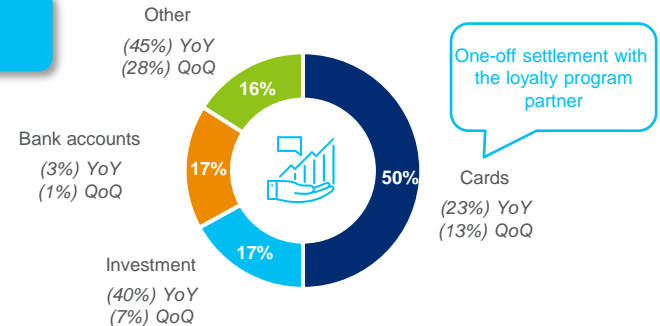


NF&CI structure and dynamics

Institutional Banking



Customer Banking

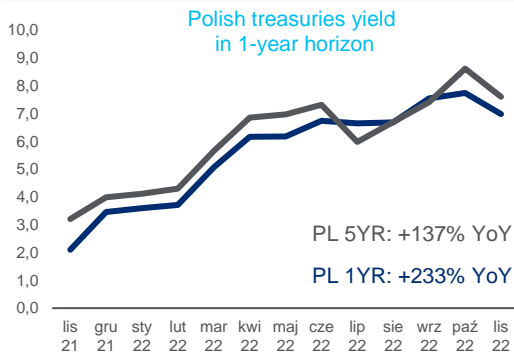


Treasury

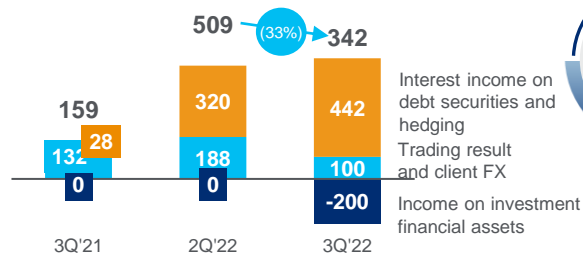
Repositioning of investment debt financial asset portfolio in line with strategy

Treasury result (PLN MM)

Strong treasury result in mid-term perspective,
capital ratio stable despite growing treasuries' yield



Treasury result



FX turnover – Institutional Clients

Revenue



+28%
YoY

+6%
QoQ

Volumes



+22%
YoY

+8%
QoQ

(14%)
QoQ

Revaluation reserve

17.8%
+10 p.b. QoQ

Total capital ratio
(TCR)

1-3Q'21: 908
1-3Q'22: 1 266

+39%

Treasury activity: sum of net interest income, income on trading, income on debt investment securities and income on FX

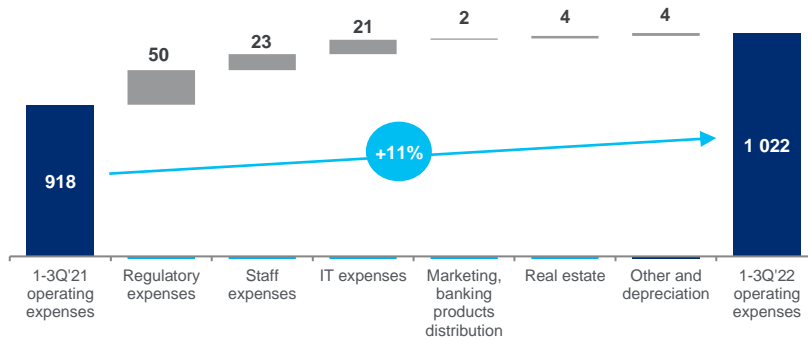
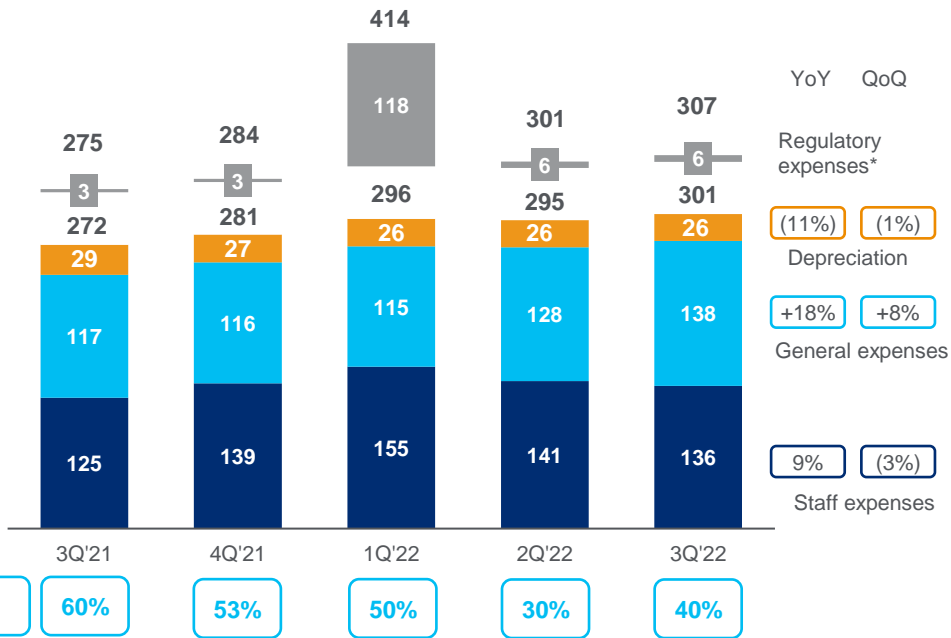
Expenses

Operating expenses (PLN MM)

High cost effectiveness maintained despite growing inflationary pressure.
Unmaterial charge to Borrowers Support Fund (PLN 208 th.)

1-3Q'22 operating expenses (PLN MM)

1-3Q'22 expenses impacted by higher regulatory expenses and growing staff expenses



+62% YoY
Regulatory expenses
Higher contribution to Resolution Fund (BGF)

+11% YoY
Remuneration costs
Main part of staff expenses

+14% YoY
IT expenses

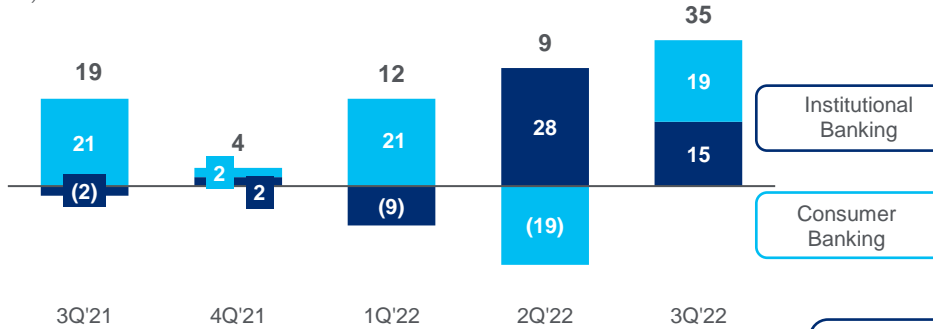
* Supervisory costs and contribution to Banking Guarantee Fund

Cost of Risk

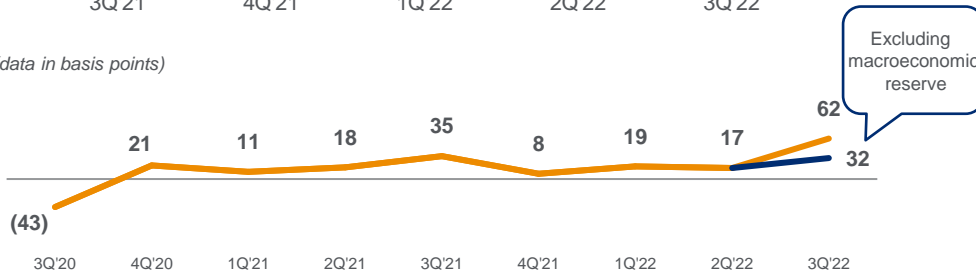
Cost of Risk

Institutional Banking cost of risk affected by statistical effects of worsening economic forecasts

(PLN MM)



(data in basis points)

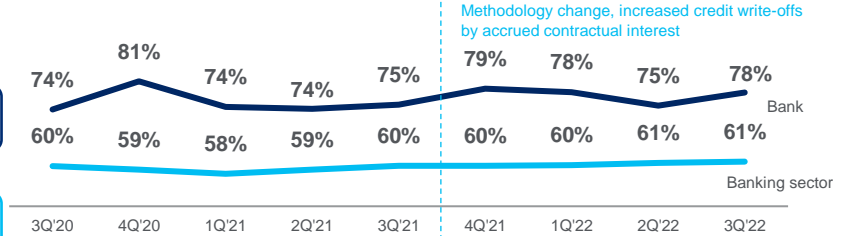


Positive number means net impairment creation (negative impact on P&L)

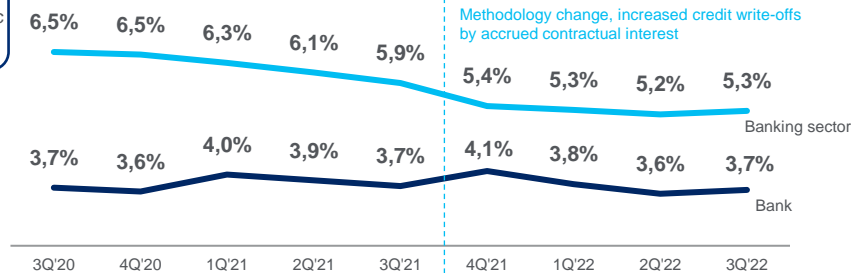
Coverage ratio and NPL (%)

The Bank's portfolio quality stable in long horizon

Coverage ratio



Share of stage 3 in loan portfolio



Summary of the Capital Group financial results

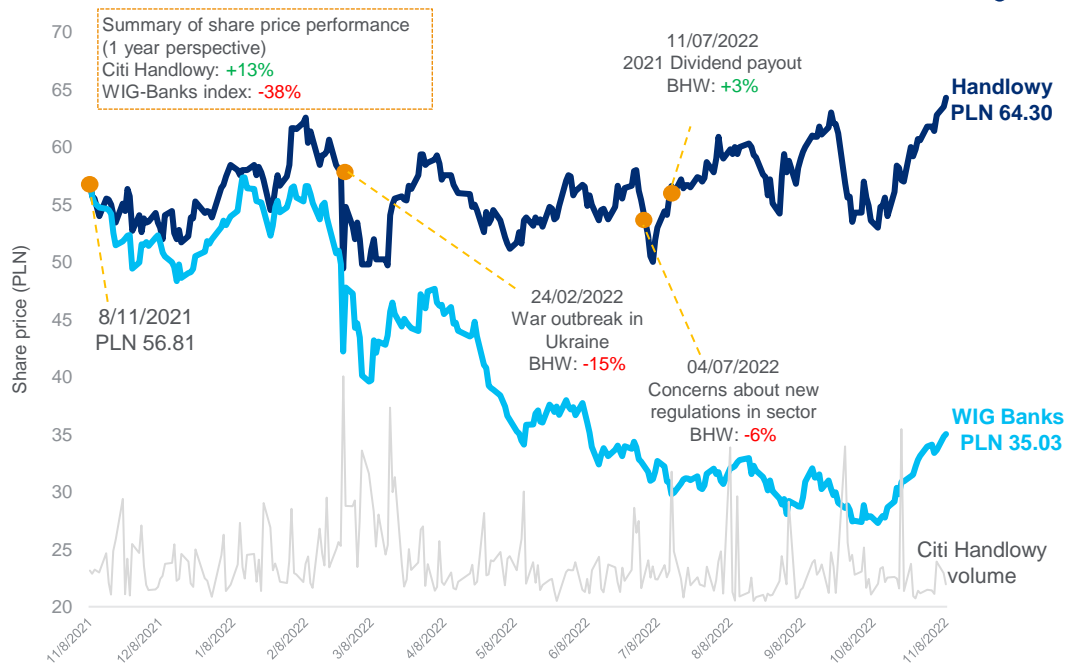
	3Q22	2Q22	ΔQoQ	3Q21	ΔYoY	1-3Q 2022	ΔYoY
Net interest income	732	667	10%	169	334%	1,844	245%
Net fee and commission income	136	151	(10%)	158	(14%)	439	(9%)
Core revenue	868	818	6%	327	166%	2,282	125%
Treasury	(100)	188	-	132	(176%)	327	(59%)
Other	(8)	6	-	(1)	-	(1)	(121%)
Total revenue	760	1 012	(25%)	457	66%	2,608	43%
Expenses	(307)	(301)	2%	(275)	12%	(1,022)	11%
Operating margin	453	712	(36%)	183	148%	1,587	76%
Net impairment losses	(35)	(9)	270%	(19)	87%	(56)	63%
Profit before tax	365	643	(43%)	124	195%	1,376	83%
Corporate income tax	(81)	(143)	(43%)	(30)	168%	310	64%
Bank levy	(53)	(58)	(9%)	(40)	33%	158	37%
Net profit	284	500	(43%)	93	204%	1,066	90%
ROE	18.8%	14.8%	4.0 pp.	7.0%	11.7 pp.		
ROA	1.8%	1.6%	0.2 pp.	0.8%	0.9 pp.		
Revaluation reserve	(785)	(908)	(14%)	(12)	-	(785)	-
Assets	72,238	69,421	4%	60,476	19%	72,238	19%
Net loans	21,759	22,117	(2%)	20,836	4%	21,759	4%
Deposits	50,347	45,981	9%	45,133	12%	50,347	12%
Loans / Deposits	43%	48%		46%			
TCR	17.8%	17.7%		19.0%			

* Sum of net income on trading financial instruments and revaluation and net gain on debt investment financial assets measured at fair value through other comprehensive income

Citi Handlowy – change in share price

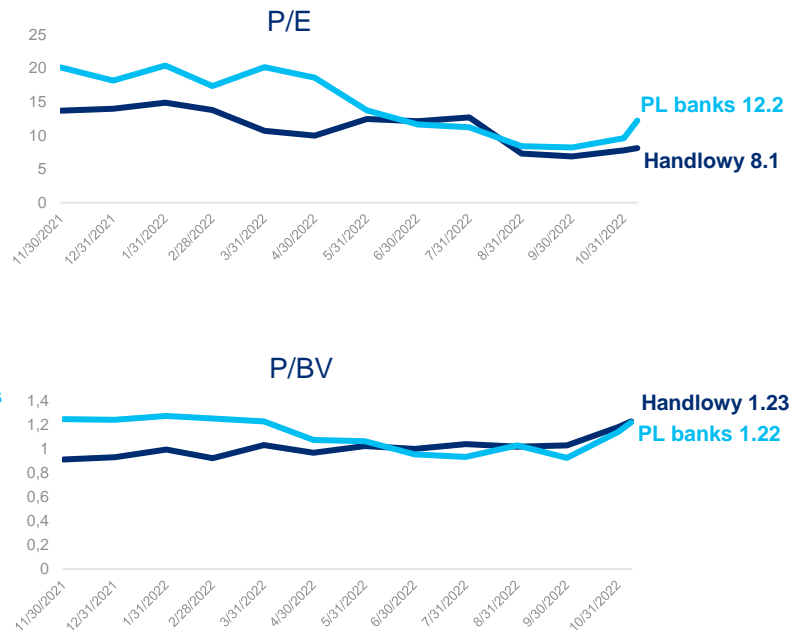
Higher yield on Bank share prices comparing to WIG-Banks index

Change in Bank's share price vs. WIG-Banks index



Note: Last quotation November 8th, (Citi Handlowy: PLN 64.30)

BHW vs. other banks*



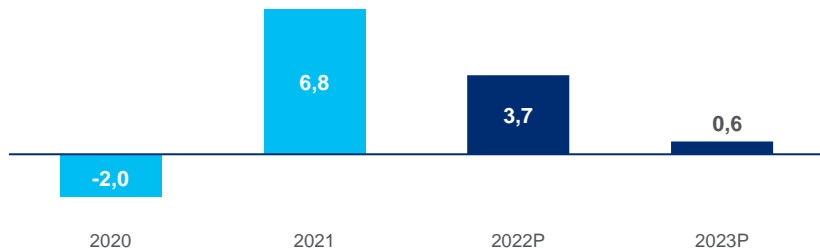
* Other banks – 9 largest banks in Poland

Appendix

Forecasts for Polish economy

GDP of Poland (% YoY)

Slowdown of Polish economy in 3Q'22 milder comparing to 2Q'22

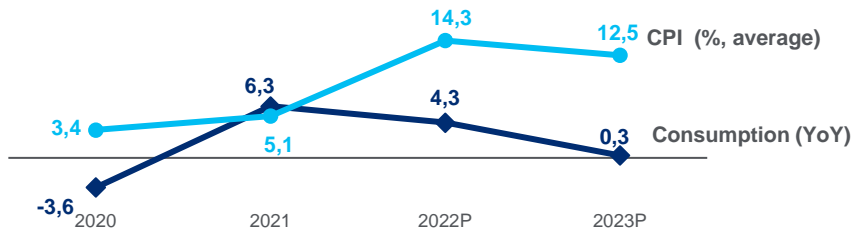


According to Citi analysts forecast (data as of 31/10/2022)

- Positive set of data for September allows for consideration that Polish GDP in 3Q will not change significantly from previous quarter and there is high probability that technical recession had not occurred.
- In September price dynamics in categories different from energy, fuel and food remained high. Energetic shock is impacting total economy, being reflected in core inflation – second round effects are in place.
- Previous months data (strong production and sales) as well as market events (growing yield of treasuries) are implying scenario in which in order to fight inflation further monetary policy tightening will be inevitable.

Consumption and inflation CPI (% YoY)

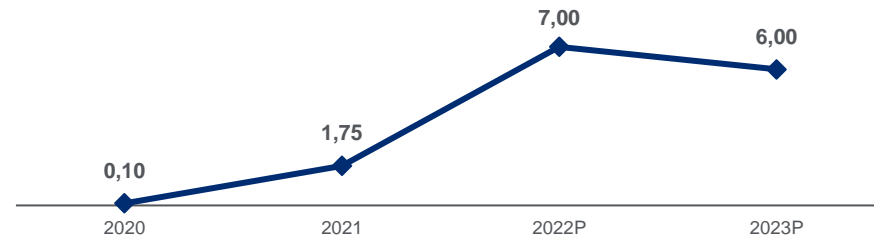
Inflation exceeded the level of 17% in September, rising energy prices are accompanied by strong growth of core inflation



According to Citi analysts forecast (data as of 31/10/2022)

NBP reference rate (% end of period)

November publication of Central Bank inflation forecasts will play key role for the further Monetary Policy Council's decisions on interest rate



According to Citi analysts forecast (data as of 31/10/2022)

Capital Group – profit and loss account

PLN MM	3Q21	4Q21	1Q22	2Q22	3Q22	3Q22 vs.2Q22		3Q22 vs.3Q21	
						PLN MM	%	PLN MM	%
Net interest income	169	254	445	667	732	65	10%	563	334%
Net fee and commission income	158	169	151	151	136	(15)	(10%)	(22)	(14%)
Dividend income	2	0	0	9	1	(8)	(84%)	(0)	(13%)
Net gain on trading financial instruments and revaluation	132	175	274	188	100	(88)	(47%)	(32)	(24%)
Net gain on debt investment financial assets measured at fair value through other comprehensive income	-	(45)	(36)	-	(200)	(200)	-	(200)	-
Hedge accounting	1	(8)	(2)	-	0	0	-	(1)	(95%)
Treasury	133	123	237	188	(100)	(288)-		(233)-	
Net gain on other equity instruments	0	49	5	(1)	4	5	-	4	-
Net other operating income	(5)	(59)	(2)	(3)	(14)	(11)	431%	(9)	198%
Revenue	457	536	836	1 012	760	(252)	(25%)	303	66%
Expenses	(246)	(258)	(388)	(275)	(281)	(6)	2%	(36)	15%
Depreciation	(29)	(27)	(26)	(26)	(26)	0	(1%)	3	(11%)
Expenses and depreciation	(275)	(284)	(414)	(301)	(307)	(6)	2%	(32)	12%
Operating margin	183	251	422	712	453	(258)	(36%)	271	148%
Profit/(loss) on sale of tangible fixed assets	0.0	(0.3)	3.5	(0.5)	(0.1)	0.4	(83%)	(0.1)	-
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	(19)	(4)	(12)	(9)	(35)	(26)	270%	(16)	87%
Tax on certain financial institutions	(40)	(46)	(46)	(58)	(53)	5	(9%)	(13)	33%
EBIT	124	201	368	643	365	(278)	(43%)	241	195%
Corporate income tax	(30)	(44)	(86)	(143)	(81)	62	(43%)	(51)	168%
Net profit	93	156	282	500	284	(216)	(43%)	190	204%
C/I ratio	60%	53%	50%	30%	40%				

Institutional Banking – profit and loss account

PLN MM	3Q21	4Q21	1Q22	2Q22	3Q22	3Q22 vs.2Q22		3Q22 vs.3Q21	
						PLN MM	%	PLN MM	%
Net interest income	74	142	276	447	562	115	26%	488	655%
Net fee and commission income	99	116	105	103	94	(9)	(9%)	(5)	(5%)
Dividend income	2	0	0	2	1	(0)	(13%)	(0)	(13%)
Net gain on trading financial instruments and revaluation	123	166	260	178	89	(89)	(50%)	(35)	(28%)
Net gain on debt investment financial assets measured at fair value through other comprehensive income	-	(45)	(36)	-	(200)	(200)	-	(200)	-
Hedge accounting	1	(8)	(2)	-	0	0	-	(1)	-
Treasury	125	114	223	178	(111)	(289)	-	(236)	-
Net gain on other equity instruments	0	2	1	(2)	5	7	-	5	-
Net other operating income	2	1	4	3	(8)	(11)	-	(10)	-
Revenue	302	376	608	732	545	(187)	(26%)	242	80%
Expenses	(119)	(124)	(225)	(129)	(135)	(6)	4%	(16)	14%
Depreciation	(6)	(6)	(6)	(6)	(6)	0	(1%)	(0)	4%
Expenses and depreciation	(124)	(130)	(230)	(135)	(141)	(6)	4%	(16)	13%
Operating margin	178	246	378	597	404	(193)	(32%)	226	127%
Profit/(loss) on sale of tangible fixed assets	0.1	-0.2	3.5	-0.3	0.0	0	-	(0)	-
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	2	(2)	9	(28)	(15)	13	-	(18)	-
Tax on certain financial institutions	(34)	(39)	(39)	(51)	(45)	6	(12%)	(11)	34%
EBIT	147	205	352	517	343	(174)	(34%)	197	134%
C/I ratio	41%	34%	38%	18%	26%				

Consumer Banking – profit and loss account

PLN MM	3Q21	4Q21	1Q22	2Q22	3Q22	3Q22 vs.2Q22		3Q22 vs.3Q21	
						PLN MM	%	PLN MM	%
Net interest income	94	112	169	219	170	(50)	(23%)	75	80%
Net fee and commission income	59	52	47	48	42	(6)	(13%)	(17)	(29%)
Dividend income	-	0.1	0	8	-	(8)	(100%)	-	-
Net gain on trading financial instruments and revaluation	8	9	14	11	11	1	6%	3	36%
Net gain on other equity instruments	-	47	4	0	(1)	(1)	-	(1)	-
Net other operating income	(7)	(60)	(6)	(6)	(6)	(0)	3%	1	(9%)
Revenue	155	160	228	280	216	(65)	(23%)	61	40%
Expenses	(127)	(134)	(163)	(146)	(147)	(1)	1%	(20)	15%
Depreciation	(23)	(21)	(21)	(20)	(20)	0	(1%)	3	(15%)
Expenses and depreciation	(150)	(155)	(184)	(166)	(166)	(1)	0%	(16)	11%
Net impairment allowances on non-financial assets	-	-	-	-	-	-	-	-	-
Operating margin	4	5	44	115	49	(65)	(57%)	45	1011%
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	(21)	(2)	(21)	19	(20)	(38)	-	1	(7%)
Tax on certain financial institutions	(7)	(7)	(7)	(8)	(8)	(1)	12%	(2)	28%
EBIT	(23)	(4)	16	126	21	(104)	(83%)	45	-
C/I ratio	97%	97%	81%	59%	77%				

Balance sheet - assets

PLN B	As end of period					3Q22 vs. 4Q21		3Q22 vs. 3Q21	
	3Q21	4Q21	1Q22	2Q22	3Q22	PLN B	%	PLN B	%
Cash and balances with the Central Bank	14.9	6.5	2.7	4.1	9.1	2.5	39%	(5.9)	(39%)
Amounts due from banks	1.0	1.0	2.1	2.4	1.8	0.9	90%	0.9	91%
Financial assets held-for-trading	5.3	10.0	14.3	10.3	10.7	0.7	7%	5.4	101%
Debt financial asstes measured at fair value through other comprehensive income	16.1	20.6	24.6	28.1	26.4	5.8	28%	10.4	64%
Customer loans	20.8	21.3	23.1	22.1	21.8	0.4	2%	0.9	4%
Financial sector entities	3.5	3.4	3.9	3.4	3.1	(0.3)	(9%)	(0.4)	(10%)
including reverse repo receivables	0.0	-	0.2	0.1		0.0	-	(0.0)	(100%)
Non-financial sector entities	17.4	17.9	19.1	18.8	18.6	0.8	4%	1.3	7%
Institutional Banking	10.3	10.9	12.4	12.2	12.4	1.5	14%	2.1	20%
Consumer Banking	7.1	7.0	6.8	6.5	6.3	(0.7)	(10%)	(0.8)	(11%)
Unsecured receivables	4.7	4.6	4.4	4.3	4.1	(0.5)	(11%)	(0.6)	(13%)
Credit cards	2.4	2.4	2.3	2.3	2.2	(0.2)	(6%)	(0.2)	(7%)
Cash loans	2.2	2.1	2.1	1.9	1.8	(0.3)	(16%)	(0.4)	(19%)
Other unsecured receivables	0.0	0.0	0.1	0.0	0.0	(0.0)	(5%)	0.0	9%
Mortgage	2.4	2.4	2.4	2.2	2.2	(0.2)	(9%)	(0.2)	(9%)
Other assets	2.3	2.5	2.4	2.4	2.5	(0.0)	(1%)	0.1	5%
Total assets	60.5	61.9	69.3	69.4	72.2	10.4	17%	11.8	19%

Balance sheet – liabilities and equity

	As end of period					3Q22 vs. 4Q21		3Q22 vs. 3Q21	
	3Q21	4Q21	1Q22	2Q22	3Q22	PLN B	%	PLN B	%
<i>PLN B</i>									
Liabilities due to banks	1.6	3.4	4.5	3.3	3.7	0.3	9%	2.1	130%
Financial liabilities held-for-trading	4.9	6.6	10.2	9.5	9.4	2.8	42%	4.5	91%
Financial liabilities due to customers	45.1	43.5	45.5	46.0	50.3	6.8	16%	5.2	12%
Financial sector entities - deposits	4.0	3.2	3.4	3.2	3.4	0.2	6%	(0.6)	(15%)
Non-financial sector entities - deposits	40.9	39.6	40.8	40.5	44.6	5.0	13%	3.8	9%
Institutional Banking	24.6	22.8	23.4	22.8	26.4	3.6	16%	1.8	7%
Consumer Banking	16.2	16.8	17.4	17.7	18.2	1.4	8%	2.0	12%
Other deposits	0.3	0.7	1.3	2.3	2.3	1.6	220%	2.1	815%
Other liabilities	1.3	1.0	1.7	3.8	1.6	0.6	56%	0.3	20%
Total liabilities	53.0	54.5	61.9	62.6	65.0	10.5	19%	12.0	23%
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	(0.0)	(0.3)	(0.6)	(0.9)	(0.8)	(0.5)	151%	(0.8)	-
Other reserves	2.8	2.8	2.8	2.8	2.8	0.0	0%	0.0	1%
Retained earning	1.2	1.4	1.6	0.6	0.6	(0.7)	(54%)	(0.6)	(47%)
Total Equity	7.5	7.4	7.4	6.9	7.3	(0.1)	(2%)	(0.3)	(3%)
						0.0	-	0.0	-
Total liabilities & equity	60.5	61.9	69.3	69.4	72.2	10.4	17%	11.8	19%
Loans / Deposits ratio	46%	49%	51%	48%	43%				