



Bank Handlowy w Warszawie S.A.

Preliminary consolidated financial results
for 4Q'21 and FY2021

February 17th, 2022

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

citi handlowy®

4Q'21 | Summary



Financial results

- Net profit for 4Q'21 at the level of PLN 186 MM (+99% QoQ) as a result of higher income in Institutional Banking segment, both on client business and treasury;
- Total revenues at the level of PLN 572 MM (+25% QoQ) as a result of positive dynamics in all recurrent lines: net interest income (+50% QoQ), income on FX (+13% QoQ) and net fee and commission income (+7% QoQ);
- Operating expenses amounting to PLN 284 MM, increase by 4% QoQ driven by higher staff expenses, meanwhile cost of risk at the level of PLN 4 MM as a result of lower provisions in Consumer Banking segment;
- Stand alone net profit for 2021 at the level of PLN 746 MM, with simultaneously high liquidity (loan/deposit ratio – 49%) and strong capital position (TCR – 20.1%);



Institutional Banking

- Total revenues increase by 24% QoQ driven by rebound of net interest income on debt securities;
- Strong quarter in terms of strategic transactions, that affected net fee and commission income dynamics positively – the Bank took part in IPO arrangement for technological company from HR sector, valued at PLN 1.1 B as well as in syndicate financing of acquisition of company from alcohol industry;
- Net loan volume increase by 4% QoQ, as a result of loan volume increase in all client's segments: Global, Corporate and Commercial Banking;
- Citi Handlowy Cash Management ranked No. 1 in Euromoney ranking in Market Leader and Best Service categories;



Consumer Banking

- Growth of total revenues by 27% QoQ, by 15% QoQ excl. one-off transactions;
- Deposit volume increase by 4% QoQ as a result of transactional accounts number growth in Private Banking;
- Launch of the virtual card – fast activation in mobile application if the client does not hold physical card yet;

Business activity

Institutional Banking | Strong momentum in transactions

Selected transactions:

**Pracuj.pl
Group**

PLN 1.1 B
IPO

Dom Maklerski
citi handlowy

Global Coordinator

**CVC Capital
Partners**

EUR 300 MM
PLN 820 MM
Syndicated financing

citi handlowy
citi

Underwriter i
Original Lender

Supporting „green” investments

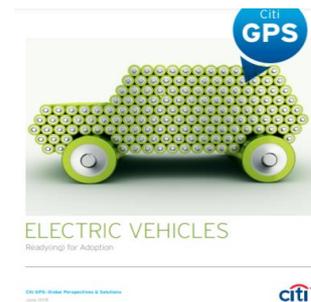
- LG Energy Solution is one of the largest manufacturers of batteries for electric vehicles in Europe
- LG Chem is mother company of LG Energy Solution and produce supportive material for EV
- Citi Handlowy provided financing LG Chem Poland in the amount of:

PLN 155 million
Acquisition term loan

For takeover separator business used in producing of lithium-ion batteries for electric vehicles (EV)

Electric vehicles play a key role in the reduction of GHG emissions

- Since 2035: all new cars must be zero emissions aligned with EU plan
- The future of electric vehicles market according to Citi expert:

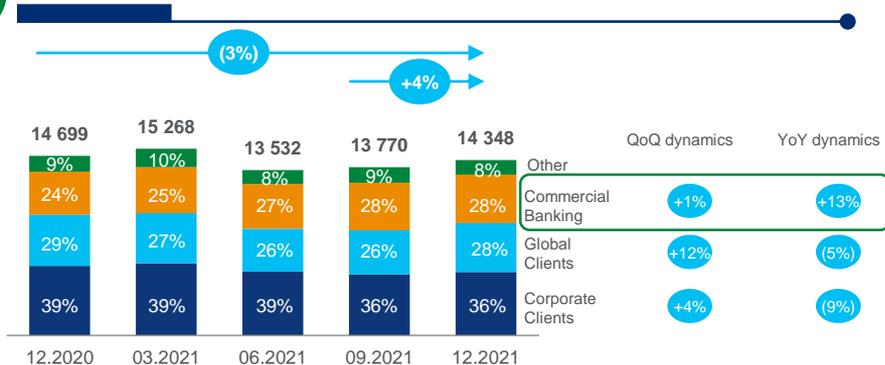


<https://www.citivelocity.com/citigps/esg-sustainability/>

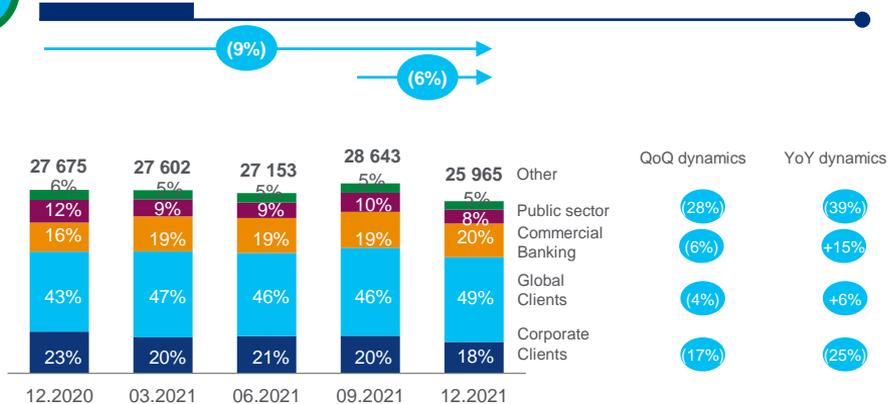
Institutional Banking | Business volumes



Loan volumes (PLN MM)



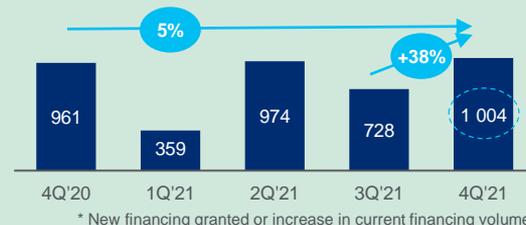
Deposit volumes (PLN MM)



4Q'21 transactional volumes

Continuation of positive trends supported by strong revival of Polish GDP in 4Q'21

1. *New institutional loans (PLN MM)*



2. Foreign trade

Companies expansion to new markets



+11%
12.2021
vs. 12.2020

Average
assets level

3. Transaction Banking

+4% YoY

Cross-border
money transfer
volume

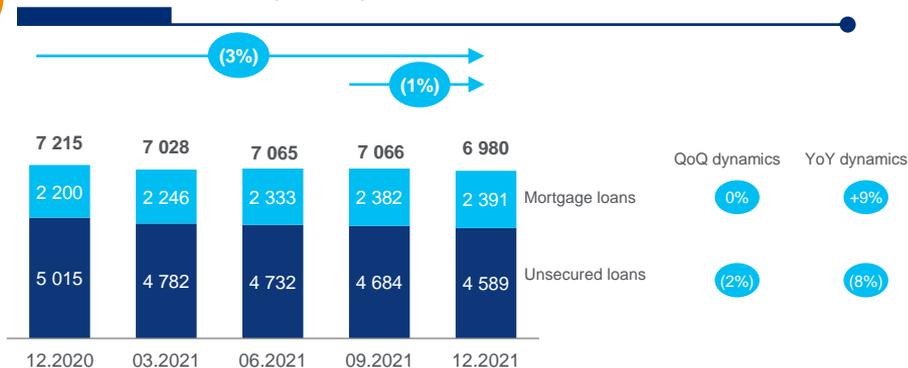
+2% YoY

Number of transactions
processed in Citi Direct

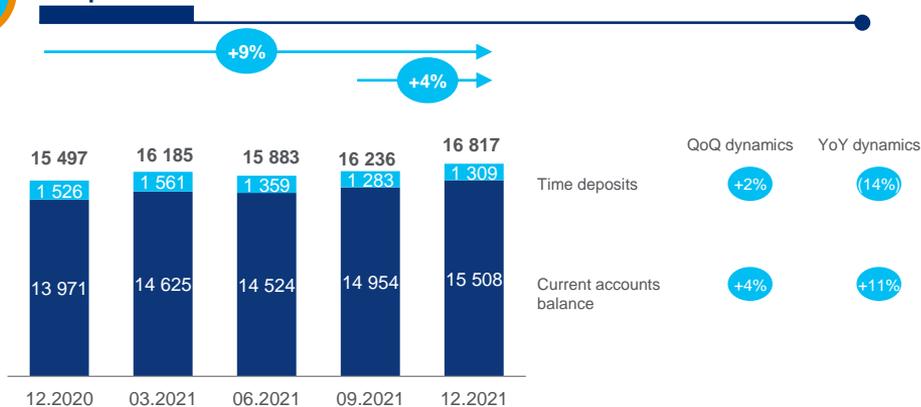
Consumer Banking | Business volumes



Loan volumes (PLN MM)



Deposit volumes (PLN MM)



4Q'21 transactional volumes

Continuation of strong trends in Consumer Banking strategic areas

1. FX volumes



2. Wealth Management



Good business results of Citi Private Client (CPC) segment



Summary of the 2021 | Capital Group of the Bank

Net profit at the level of PLN 747 MM – the highest since 2014

+10.5%

Profitability (ROE)

Above cost of equity

+16% YoY

Total revenue

Due to higher result on debt securities sale, net fee and commission income and FX

+40% YoY

Operating margin

Revenue growth and cost discipline maintained, despite higher staff expenses and depreciation

+32% YoY

FX volumes

In Global Client and Commercial Banking segments

+13% YoY

Assets of the Commercial Banking segment

Record high dynamics of Commercial Banking assets growth

20.1%

Capital position (TCR)

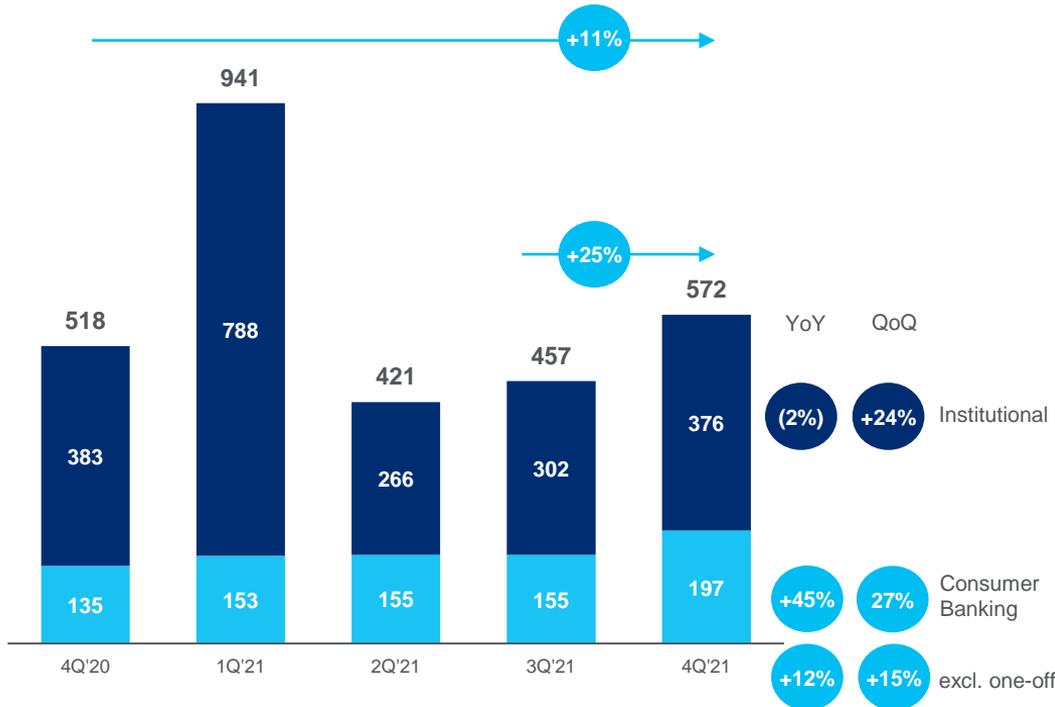
While maintaining sustainable growth of client business

Consolidated financial results

Total revenue

Revenue – segment split (PLN MM)

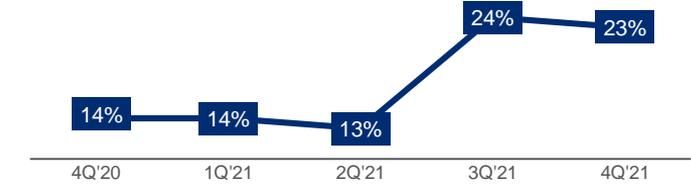
Revenue growth as a result of higher net interest income



Revenue – Institutional Banking

Client revenue* – YoY dynamics

Double-digit dynamics of client revenue growth maintained



*) Client revenue: Client Net Interest Income, net fee and commission income, income on FX

+32% YoY
FX volumes

+34% YoY
Net interest income

+11% YoY
Net fee and
commission income

FX volumes growth:
by 49% YoY in Global Clients
and by 8% YoY in Commercial
Banking

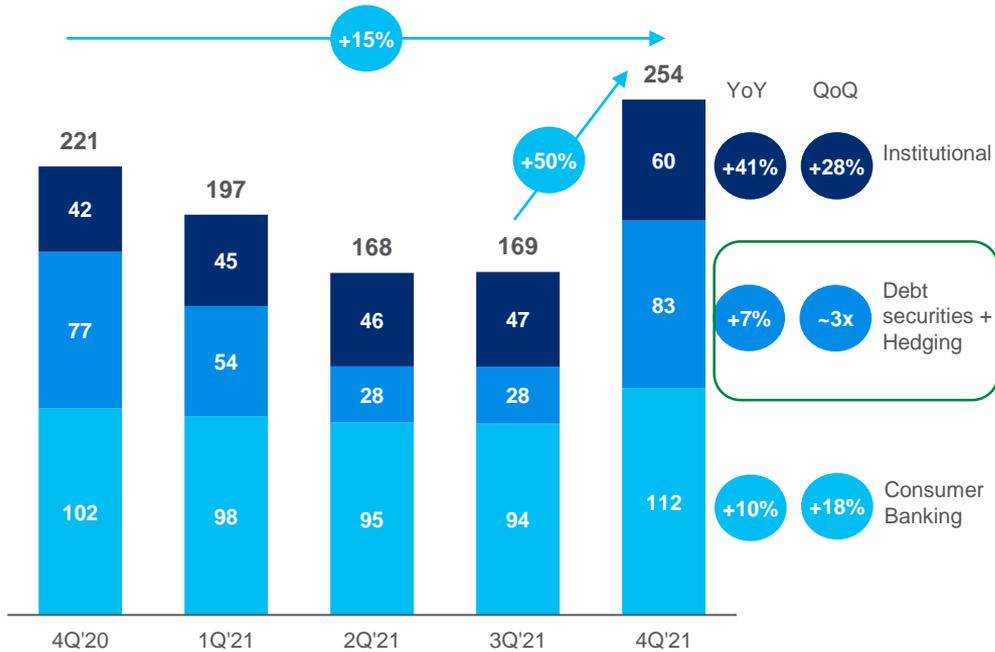
Increase of client margin and
volumes in Commercial Banking
segment

Capital arrangement transactions
for clients

Net interest income

Net interest income – segment split (PLN MM)

Increase of net interest income as a result of higher interest income on debt securities – purchase of short-term treasury bills



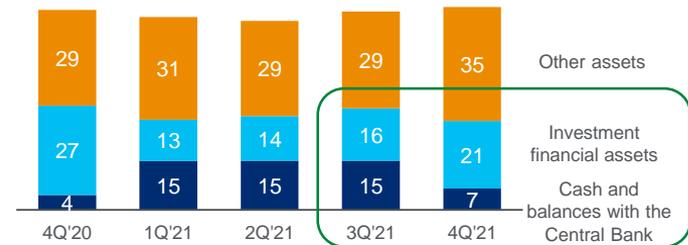
Net interest margin

Interest margin growth as a result of i.a. reference rate hikes in 4Q'21



Debt securities

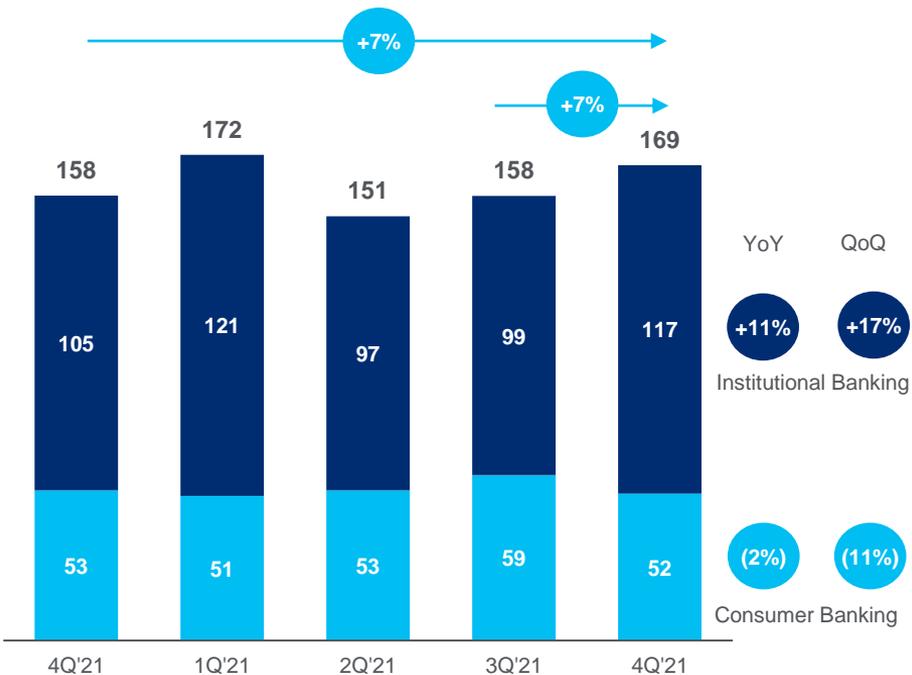
Assets (PLN B)



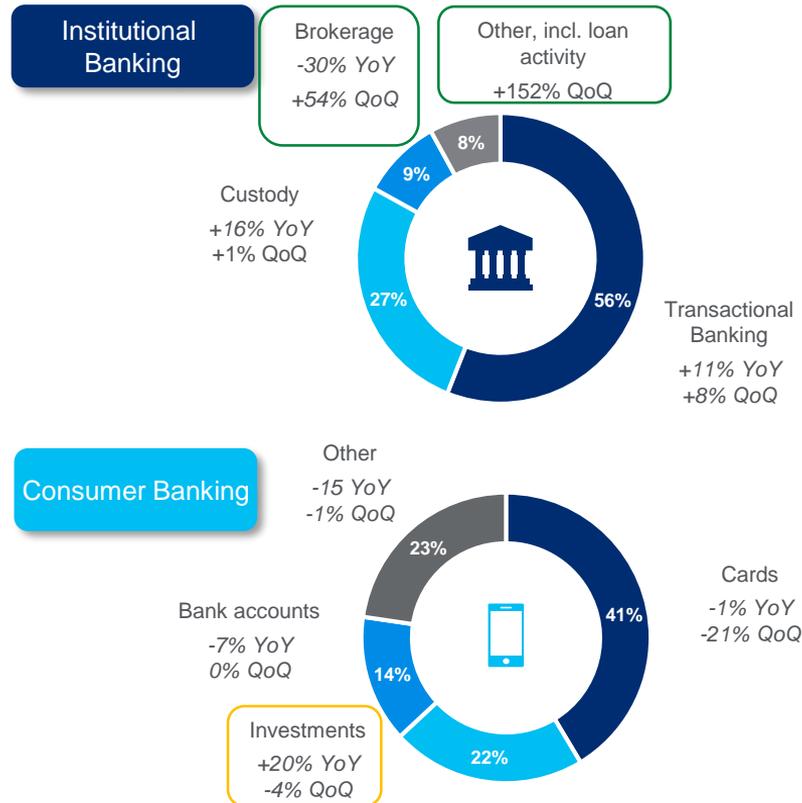
Net fee & commission income

NF&CI – segment split (PLN MM)

NF&C income growth driven by income on capital arrangement for clients – loan activity and brokerage



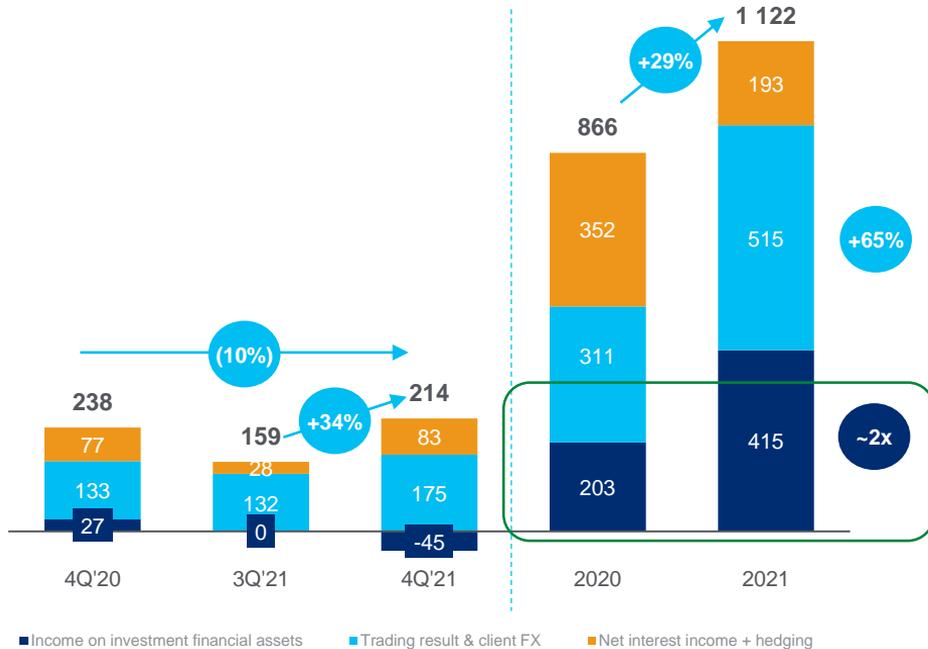
NF&CI structure and dynamics (4Q 2021)



Treasury

Treasury result (PLN MM)

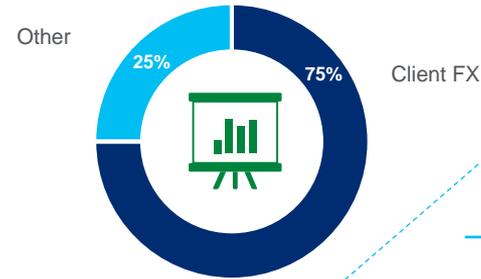
Taking benefits from changing interest rates



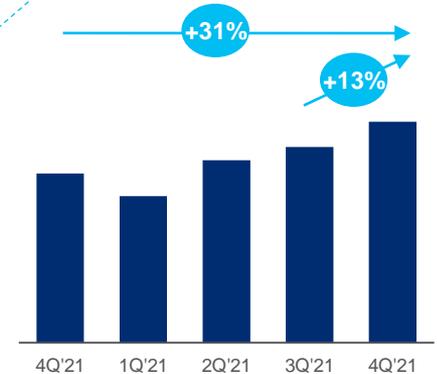
Trading result & client FX

Next quarter of record high income on FX operations

Trading result & client FX in 2021



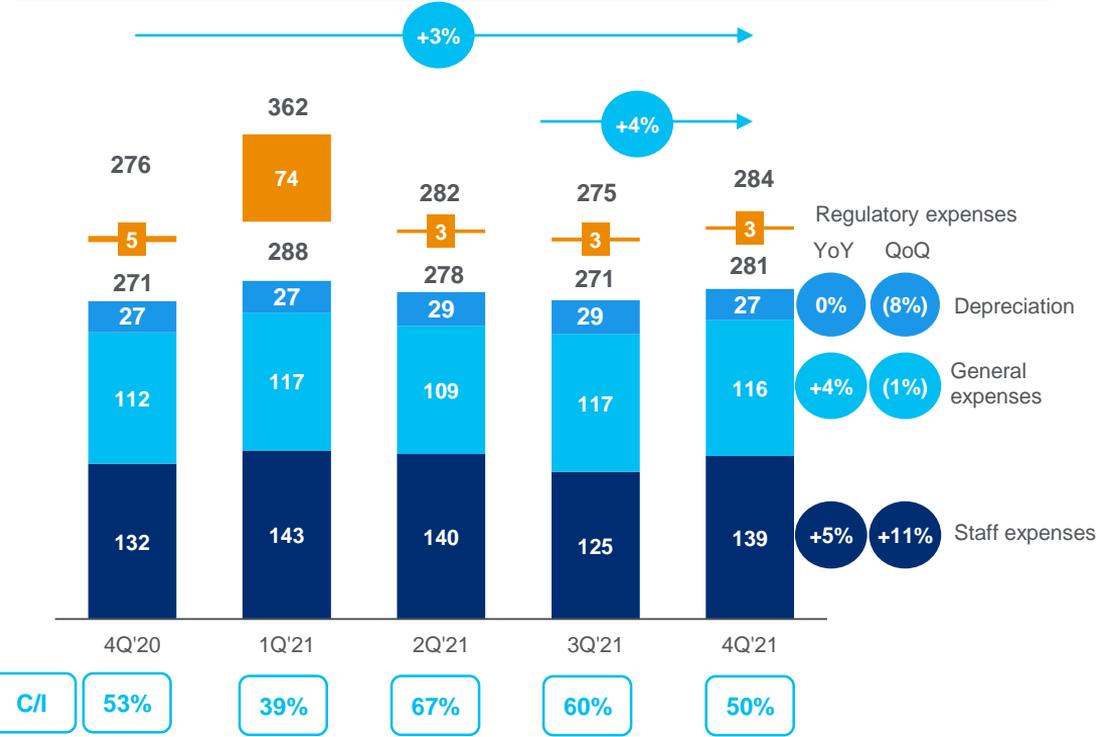
Income on client FX



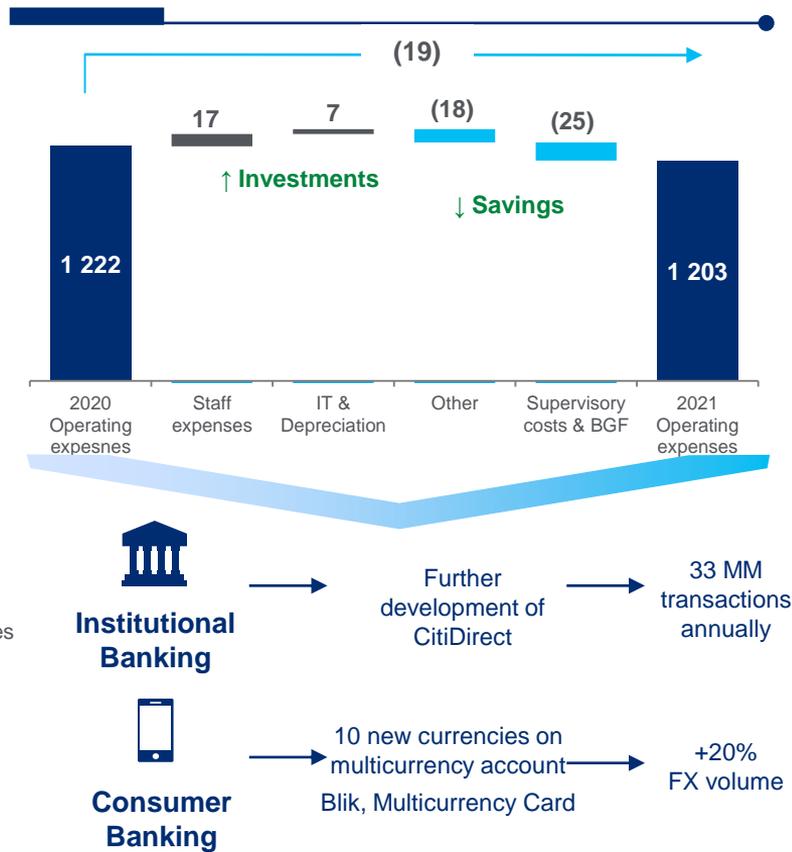
Expenses

Operating expenses (PLN MM)

Operating expenses consistently under control



Operating expenses – structural view (PLN MM)



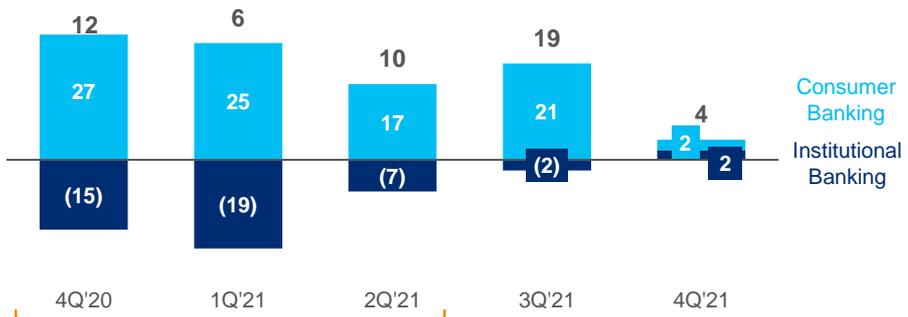
Cost of Risk

Cost of Risk

Lower cost of risk in Consumer Banking

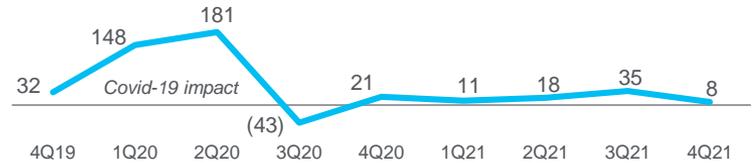
PLN 43 MM: outstanding value of COVID-19 provisions as end of 2021

(PLN MM)



PLN 97 MM: macroeconomic provisions reversal in 4Q'20 - 2Q'21

(data in basis points)



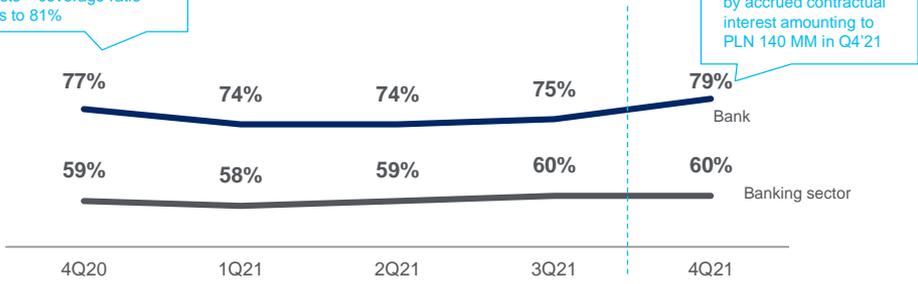
Positive number means net impairment creation (negative impact on P&L)

Coverage ratio and NPL (%)

Loan portfolio quality significantly better comparing to the banking sector

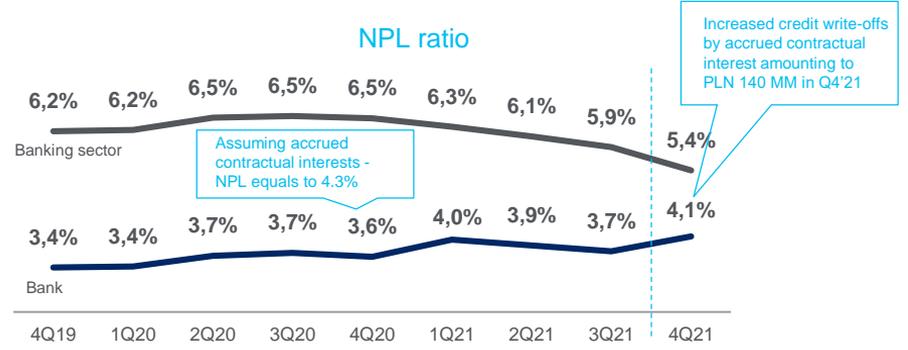
Assuming accrued contractual interests – coverage ratio equals to 81%

Coverage ratio



Increased credit write-offs by accrued contractual interest amounting to PLN 140 MM in Q4'21

NPL ratio



Assuming accrued contractual interests - NPL equals to 4.3%

Increased credit write-offs by accrued contractual interest amounting to PLN 140 MM in Q4'21

Summary of the Capital Group financial results

	4Q21	3Q21	ΔQoQ	4Q20	ΔYoY	2021	ΔYoY
Net interest income	254	169	50%	221	15%	788	(21%)
Net fee and commission income	169	158	7%	158	7%	650	16%
Core revenue	423	327	29%	379	12%	1,438	(8%)
Treasury	131	132	(0%)	161	(19%)	929	80%
Other revenue	19	(1)	-	(22)	-	24	(391%)
Total revenue	572	457	25%	518	11%	2,391	16%
Operating expenses	(284)	(275)	4%	(276)	3%	(1,203)	(2%)
Operating margin	288	183	58%	242	19%	1,188	40%
Cost of risk	(4)	(19)	(77%)	(12)	(64%)	(39)	(80%)
Profit before tax	238	124	92%	(16)	-	988	211%
Income tax	(51)	(30)	70%	(42)	22%	240	66%
Bank levy	(46)	(40)	14%	(31)	48%	161	30%
Net profit	186	93	99%	(58)	-	747	333%
ROE	10.5%	6.9%	3.6 pp.	2.4%	8.2 pp.		
ROA	1.2%	0.8%	0.4 pp.	0.3%	1.0 pp.		
Assets	61,856	60,476	2%	60,942	2%	61,856	2%
Net loans	21,328	20,836	2%	21,914	(3%)	21,328	(3%)
Deposits	43,507	45,133	(4%)	43,394	0%	43,507	0%
Loans / Deposits	49%	46%		51%			
TCR	20.1%	19.0%		22.6%			

Appendix

Forecasts for Polish economy

GDP of Poland (% YoY)

Significant slowdown of economic growth in 2022 to the level of 4.2%

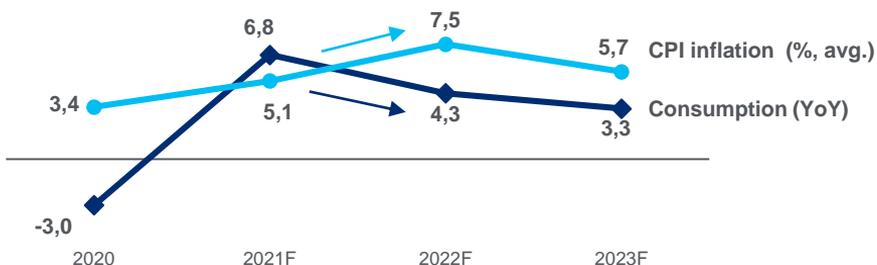


According to Citi analysts

- Despite economic slowdown in 2022, GDP growth will exceed 4%
- In short-term inflation will decrease as a result of VAT cut and lower excise tax on energy, gas, fuels and food
- In longer perspective further tightening of monetary and fiscal policies will be necessary to fight inflation
- In base scenario interest rates will increase above 4% in 2022, and will be reduced in consecutive year
- Global GDP will increase by 4.1% in 2022 , and by 3.1% in 2023 YoY. Main risks are: protracted pandemic, growing global inflation and tightening of monetary policy

Consumption and inflation CPI (% YoY)

Downward revision of consumption forecasts as a results of growing inflation



According to Citi analysts

NBP reference rate (% end of period)

Reference rate will increase to the level of 4.25% in 2022 and will decrease since 2023 together with drop in inflation



According to Citi analysts

Capital Group – profit and loss account

PLN MM	4Q20	1Q21	2Q21	3Q21	4Q21	4Q21 vs.3Q21		4Q21 vs.4Q20		2020	2021
						PLN MM	%	PLN MM	%		
Net interest income	221	197	168	169	254	85	50%	33	15%	1 002	788
Net fee and commission income	158	172	151	158	169	11	7%	11	7%	560	650
Dividend income	0	0	9	2	0	(2)	(91%)	0	118%	12	11
Net gain on trading financial instruments and revaluation	133	115	93	132	175	44	33%	42	32%	311	515
Net gain on debt investment financial assets measured at fair value through other comprehensive income	27	456	4	-	(45)	(45)	-	(72)	-	203	415
Hedge accounting	(0)	1	(1)	1	(8)	(9)	-	(7)	1479%	1	(6)
Treasury	160	571	96	133	123	(10)	(7%)	(37)	(23%)	515	923
Net gain on other equity instruments	3	1	3	0	49	49	-	46	-	16	53
Net other operating income	(25)	(1)	(6)	(5)	(22)	(18)	384%	2	(10%)	(36)	(34)
Revenue	518	941	421	457	572	115	25%	55	11%	2 068	2 391
Expenses	(249)	(335)	(253)	(246)	(258)	(12)	5%	(9)	3%	(1 115)	(1 091)
Depreciation	(27)	(27)	(29)	(29)	(27)	2	(8%)	0	(0%)	(107)	(112)
Expenses and depreciation	(276)	(362)	(282)	(275)	(284)	(10)	4%	(8)	3%	(1 202)	(1 203)
Net impairment allowances on non-financial assets	(215)	-	-	-	-	-	-	215	(100%)	(215)	-
Operating margin	242	578	139	183	288	106	58%	46	19%	846	1 188
Profit/(loss) on sale of tangible fixed assets	(0,1)	(0,3)	(0,2)	0,0	(0,3)	(0,3)	-	(0,2)	374%	(0,5)	(0,7)
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	(12)	(6)	(10)	(19)	(4)	14	(77%)	8	(64%)	(190)	(39)
Tax on certain financial institutions	(31)	(36)	(39)	(40)	(46)	(6)	14%	(15)	48%	(124)	(161)
EBIT	(16)	536	91	124	238	114	92%	253	-	317	988
Corporate income tax	(42)	(141)	(18)	(30)	(51)	(21)	70%	(9)	22%	(145)	(240)
Net profit	(58)	395	73	93	186	93	99%	244	-	172	747
C/I ratio	53%	39%	67%	60%	50%					59%	50%

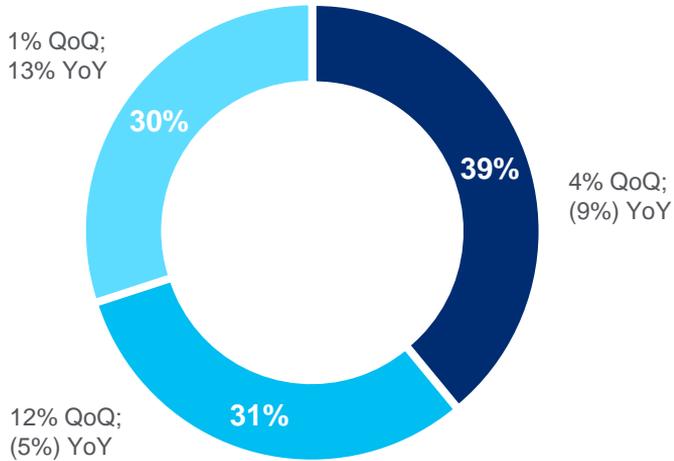
Institutional Banking – profit and loss account

PLN MM	4Q20	1Q21	2Q21	3Q21	4Q21	4Q21 vs.3Q21		4Q21 vs.4Q20		2020	2021	2021 vs. 2020	
						PLN MM	%	PLN MM	%			PLN MM	%
Net interest income	119	99	74	74	142	68	91%	23	19%	550	390	(160)	(29%)
Net fee and commission income	105	121	97	99	116	17	17%	12	11%	349	434	86	25%
Dividend income	0	0	1	2	0	(2)	(95%)	0	16%	1	3	2	121%
Net gain on trading financial instruments and revaluation	126	107	85	123	166	43	35%	41	32%	280	482	203	72%
Net gain on debt investment financial assets measured at fair value through other comprehensive income	27	456	4	-	(45)	(45)	-	(72)	-	203	415	211	104%
Hedge accounting	(0)	1	(1)	1	(8)	(9)	-	(7)	1479%	1	(6)	(7)	-
Treasury	152	564	88	125	114	(11)	(9%)	(39)	(25%)	484	891	407	84%
Net gain on other equity instruments	3	1	3	0	2	2	532%	(1)	(36%)	8	6	(1)	(14%)
Net other operating income	3	3	2	2	1	(1)	(52%)	(2)	(64%)	6	8	2	36%
Revenue	383	788	266	302	376	73	24%	(7)	(2%)	1 397	1 732	335	24%
Expenses	(107)	(182)	(119)	(119)	(124)	(5)	5%	(17)	16%	(525)	(543)	(18)	3%
Depreciation	(5)	(5)	(6)	(6)	(6)	0	(4%)	(0)	8%	(22)	(22)	(1)	4%
Expenses and depreciation	(112)	(188)	(124)	(124)	(130)	(5)	4%	(18)	16%	(547)	(566)	(19)	3%
Operating margin	271	601	142	178	246	68	38%	(24)	(9%)	850	1 166	316	37%
Profit/(loss) on sale of tangible fixed assets	0,0	0,0	-0,1	0,1	-0,2	(0)	-	(0)	595%	(0)	(0)	(0)	49%
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	15	19	7	2	(2)	(4)	-	(17)	-	(82)	26	108	-
Tax on certain financial institutions	(24)	(29)	(32)	(34)	(39)	(5)	16%	(15)	64%	(97)	(134)	(37)	38%
EBIT	262	590	116	147	205	58	40%	(57)	(22%)	671	1 058	388	58%
C/I ratio	29%	24%	47%	41%	34%					39%	33%		

Institutional Banking – assets and liabilities

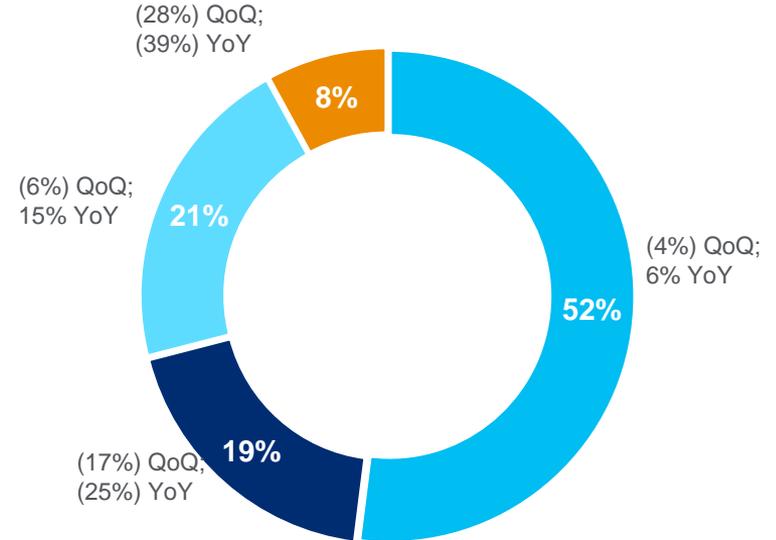
Management view

Assets



■ Corporate Clients ■ Global Clients ■ Commercial Banking

Liabilities



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

Consumer Banking – profit and loss account

PLN MM	4Q20	1Q21	2Q21	3Q21	4Q21	4Q21 vs.3Q21		4Q21 vs. 4Q20		2020	2021	2021 vs. 2020	
						PLN MM	%	PLN MM	%			PLN MM	%
Net interest income	102	98	95	94	112	17	18%	10	10%	452	399	(53)	(12%)
Net fee and commission income	53	51	53	59	52	(6)	(11%)	(1)	(2%)	211	216	4	2%
Dividend income	-	-	8	-	0,1	0	-	0	-	10	8	(3)	(26%)
Net gain on trading financial instruments and revaluation	8	7	8	8	9	1	14%	1	17%	32	32	0	1%
Net gain on other equity instruments	-	-	-	-	47	47	-	47	-	8	47	38	465%
Net other operating income	(27)	(4)	(8)	(7)	(23)	(17)	255%	4	(15%)	(42)	(42)	0	(0%)
Revenue	135	153	155	155	197	42	27%	61	45%	671	659	(13)	(2%)
Expenses	(142)	(153)	(134)	(127)	(134)	(7)	5%	9	(6%)	(590)	(547)	43	(7%)
Depreciation	(21)	(22)	(23)	(23)	(21)	2	(9%)	1	(2%)	(85)	(89)	(4)	5%
Expenses and depreciation	(164)	(175)	(157)	(150)	(155)	(5)	3%	9	(6%)	(675)	(637)	38	(6%)
Net impairment allowances on non-financial assets	(215)	-	-	-	-	-	-	215	(100%)	(215)	-	215	(100%)
Operating margin	(29)	(22)	(3)	4	42	38	844%	71	-	(4)	22	26	-
Provision for expected credit losses on financial assets and provisions for off-balance sheet commitments	(27)	(25)	(17)	(21)	(2)	19	(89%)	25	(92%)	(108)	(65)	43	(40%)
Tax on certain financial institutions	(7)	(7)	(7)	(7)	(7)	(0)	4%	0	(4%)	(26)	(27)	(1)	3%
EBIT	(278)	(55)	(26)	(23)	33	56	-	311	-	(354)	(71)	283	(80%)
C/I ratio	121%	114%	102%	97%	79%					101%	97%		

Balance Sheet – assets

PLN B	End of period					4Q21 vs. 4Q20	
	4Q20	1Q21	2Q21	3Q21	4Q21	PLN B	%
Cash and balances with the Central Bank	4.5	14.9	15.0	14.9	6.5	2.0	45%
Amounts due from banks	0.6	0.8	0.9	1.0	1.0	0.4	70%
Financial assets held-for-trading	4.4	5.9	5.2	5.3	10.0	5.6	129%
Debt financial asstes measured at fair value through other comprehensive income	27.3	12.6	13.6	16.1	20.6	(6.7)	(25%)
Customer loans	21.9	22.3	20.6	20.8	21.3	(0.6)	(3%)
Financial sector entities	3.7	3.8	3.4	3.5	3.4	(0.3)	(8%)
including reverse repo receivables	-	0.0	0.0	0.0	-	-	-
Non-financial sector entities	18.2	18.5	17.2	17.4	17.9	(0.3)	(2%)
Institutional Banking	11.0	11.4	10.2	10.3	10.9	(0.1)	(1%)
Consumer Banking	7.2	7.0	7.1	7.1	7.0	(0.2)	(3%)
Unsecured receivables	5.0	4.8	4.7	4.7	4.6	(0.4)	(8%)
Credit cards	2.5	2.4	2.4	2.4	2.4	(0.1)	(4%)
Cash loans	2.5	2.4	2.3	2.2	2.1	(0.3)	(14%)
Other unsecured receivables	0.0	0.0	0.0	0.0	0.0	(0.0)	(1%)
Mortgage	2.2	2.2	2.3	2.4	2.4	0.2	9%
Other assets	2.3	2.3	2.4	2.3	2.5	0.2	8%
Total assets	60.9	58.8	57.7	60.5	61.9	0.9	2%

Balance Sheet – liabilities and equity

PLN B	End of period					4Q21 vs. 4Q20	
	4Q20	1Q21	2Q21	3Q21	4Q21	PLN B	%
Liabilities due to banks	5.1	2.8	1.6	1.6	3.4	(1.7)	(34%)
Financial liabilities held-for-trading	3.7	3.1	3.1	4.9	6.6	2.9	80%
Financial liabilities due to customers	43.4	44.1	43.3	45.1	43.5	0.1	0%
Financial sector entities - deposits	4.6	3.5	4.1	4.0	3.2	(1.4)	(30%)
Non-financial sector entities - deposits	38.6	40.3	39.0	40.9	39.6	1.0	3%
Institutional Banking	23.1	24.1	23.1	24.6	22.8	(0.3)	(1%)
Consumer Banking	15.5	16.2	15.9	16.2	16.8	1.3	9%
Other liabilities	1.2	1.3	2.0	1.3	1.0	(0.2)	(19%)
Total liabilities	53.4	51.2	50.1	53.0	54.4	1.1	2%
Share capital	0.5	0.5	0.5	0.5	0.5	-	0%
Supplementary capital	3.0	3.0	3.0	3.0	3.0	(0.0)	(0%)
Revaluation reserve	0.5	0.1	(0.0)	(0.0)	(0.3)	(0.8)	-
Other reserves	2.8	2.8	2.8	2.8	2.8	0.0	1%
Retained earning	0.6	0.8	0.8	0.6	0.6	(0.0)	(0%)
Total Equity	7.6	7.6	7.6	7.5	7.4	(0.2)	(2%)
Total liabilities & equity	60.9	58.8	57.7	60.5	61.9	0.9	2%
Loans / Deposits ratio	51%	51%	48%	46%	49%		
Total Capital Ratio	22.6%	21.4%	20.8%	19.0%	20.1%		
NPL*	3.6%	4.0%	3.9%	3.7%	4.1%		

*as reported, incl. reverse repo