

BANK HANDLOWY W WARSZAWIE S.A.

2Q 2013 consolidated financial results

August 8, 2013

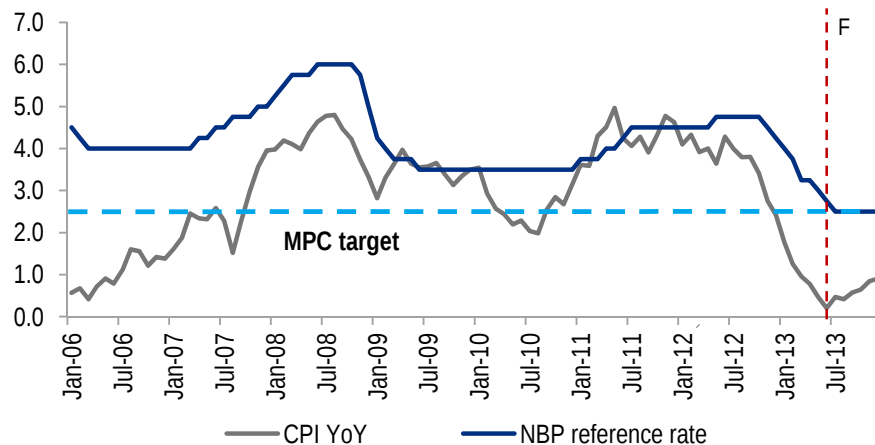
*Preliminary financial results of the Capital Group
of Bank Handlowy w Warszawie S.A. for 2Q 2013*



Economic environment

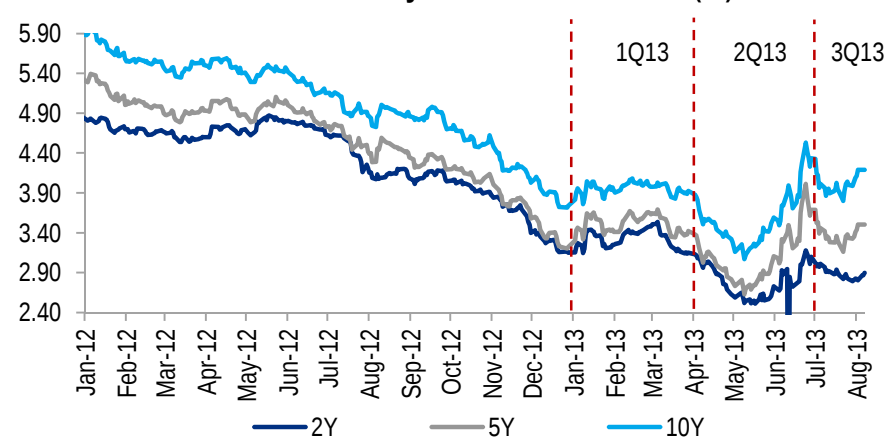
Monetary policy

Reference rate will remain unchanged at least till mid-2014



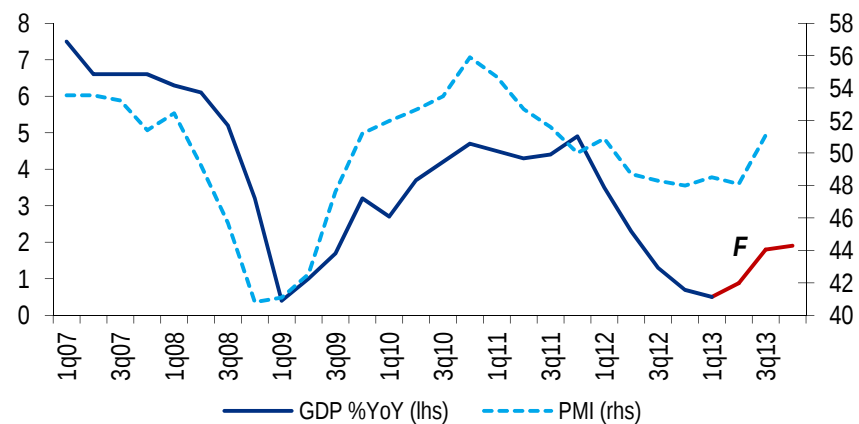
Bond market

Domestic bond yields increased in 2Q (%)



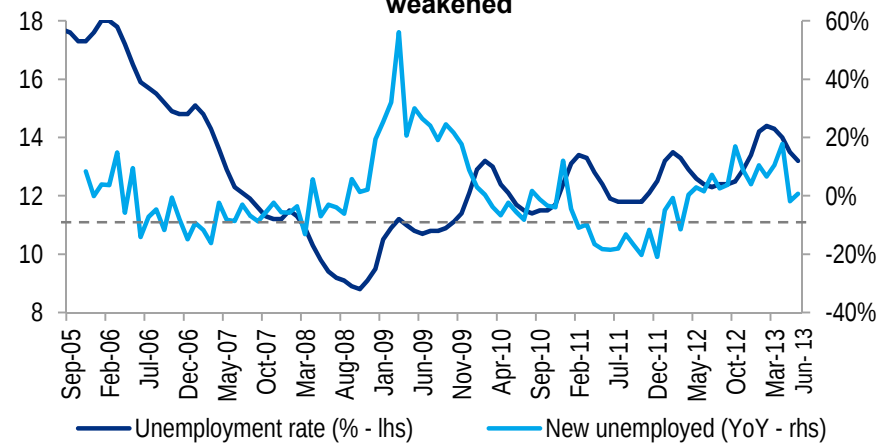
Economic growth

Rising PMI signals acceleration of GDP growth in 2H



Labour market

Unemployment rate started falling and new jobless claims growth weakened



2Q 2013 in Citi Handlowy – summary

NET PROFIT —————> PLN 300.3 MM

↑ 30% YoY ↓ 15% QoQ

High efficiency

- Another quarter of **solid net profit** (PLN 656 MM as of the end of 1H 2013)
- Increase in net fee & commission income and high income in Treasury
- Discipline in expenses and risk
- Efficiency ratios (ROE, ROTE, ROA) significantly above the sector

Safety and stability

- **Decrease in NPL** to **6.9%**, both in corporate and retail segment
- Strong capital base (**Tier 1** ratio: **17.5%**)
- Stable **liquidity** position (Loans / deposits: **73%**)

Strategic business areas development

Corporate Banking and Financial Markets

- **Increase in loans** in **SME/MME** segment and limited demand in the area of large companies
- **Leader in FX turnover** for the 5th consecutive time (in the ranking of Euromoney)
- Constant **#1** position of **DMBH** in terms of turnover on the WSE with **12.9%** share

Retail Banking

- **Increase** in the number of **Gold** and **Gold Select clients** (**+3%** QoQ; **+12%** YoY)
- Downward trend in lending reversed: **+1%** QoQ and YoY – **increase** in **credit cards** and **mortgage loans**
- A further **increase** in **demand deposits** (**+7%** QoQ and **+18%** YoY)

Corporate Banking in 2Q 2013

Financial Markets

FX turnover

- **#1** in the category of **FX turnover with corporate clients** in the ranking of Euromoney (with **36%** market share)
- **FX turnover volume up** by **1%** YoY and **7%** QoQ



Brokerage

- **#1** in **equity turnover** volume **on the WSE** (**12.9%** market share in session transactions)
- Participation in transactions on the capital market: in 2Q 2013 **accelerated sale of stake in Azoty S.A. Group** at the level of PLN 626 MM

Leader in custody services

- **Assets under custody up** by 19% YoY and 3% QoQ
- **47%** market share as of the end of 2Q 2013 (vs. 44% as of the end of 2Q 2012 and 47% as of the end of 1Q 2013)

Transaction services

Cash management

- **Focus on operating accounts:** growth of demand deposits by **23%** YoY and **1%** QoQ
- **Escrow account** for developers: a new solution for clients looking for developer transactions collateral

Trade finance growth

- Increase in assets of **58%** YoY, **12%** QoQ
- **Factoring** products development, including **Supplier Financing Programs** (several new Programs for the largest Bank's clients implemented of total value of PLN 200 MM; program for one of the largest retailer in Poland increased to PLN 400 MM)

Commercial Clients and Public Sector

Lending volumes

- A further **increase in assets** in SME/MME segment: **+4%** QoQ and **+14%** YoY
- **New proposals in financing offer:** leasing offer; working capital loans with de minimis guarantees

Public sector – services tailored to the customers needs

- Short-term financing which secure liquidity maintaining for entities operating in municipal waste industry (e.g. loan for ZMPGO Poznań Agglomeration)

SME and MME clients acquisition



Corporate and Global Clients

Emerging Markets Champions Program

- **New relations** in Corporate Clients segment (local company from oil&gas sector) and Global Clients segment (client from the area of engineering&construction services)
- Above **240** clients covered by the EMC program

Bond issue

- **#1** position as a **bond and deposit certificates issue organiser for banks** (**28%** market share according to the „Rating&Rynek” report of the FitchRatings agency)
- Contracts for bond issue program of total value of PLN 3.0 B signed with 2 foreign financial institutions

Retail Banking in 2Q 2013

Relationship banking

Focus on Gold and Gold Select clients

- **Increase** in the number of **Citigold** and **Citigold Select** clients (**+3%** QoQ; **+12%** YoY)
- **Growth in the number of active clients** (assets min. PLN 200 thous.) of **8%** QoQ and **16%** YoY

Citigold

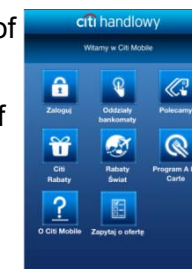
Citi Handlowy for clients with saving and investment needs

- **Change in deposit offer** - the growth of deposits volume of **6%** QoQ and **11%** YoY
- Growth in the number of **investment profile clients** of **15%** QoQ and **94%** YoY
- Net sales of **investment products** – growth of **251%** QoQ

Digitization

Leader in mobile solutions

- **143 thous.** Citi Mobile users (85 thous. in 2Q 2012)
- **68%** YoY and **18%** QoQ growth of the number of transactions conducted via Citi Mobile
- **„Branches mobilization”** – active promoting of online banking (branches equipped with mobile stands with smartphones)



New functionalities in Citi Mobile

- Possibility to spread out credit card debt via mobile banking
- Geolocator of discounts available for Citi credit cards owners all over the world and ATMs of Citi Handlowy and partners

Credit cards

Leading position maintained

- **#1** in terms of **transactions volume** (**22%** market share as of 1Q 2013)
- **#1** in terms of **credit cards loans** (**18%** market share as of the end of June 2013)
- **42.5%** market share in terms of value of credit cards **foreign transactions**

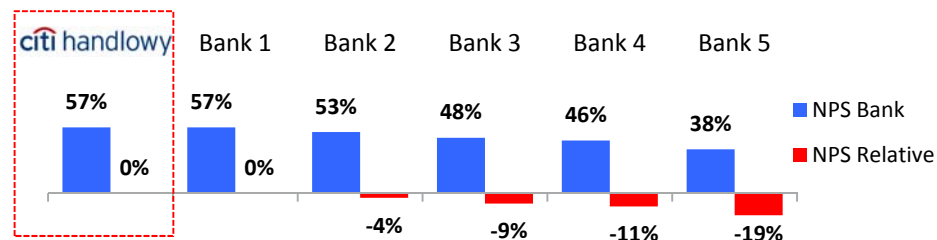
Credit cards acquisition

- **Growth of acquisition** by **2%** QoQ and **3%** YoY for main cards
- **Citibank World** and **Citibank Wizz Air** credit cards constantly as key drivers of acquisition

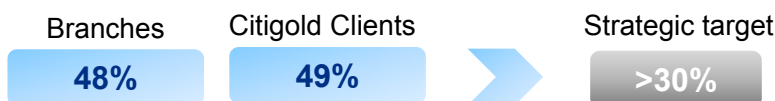


Leader in quality

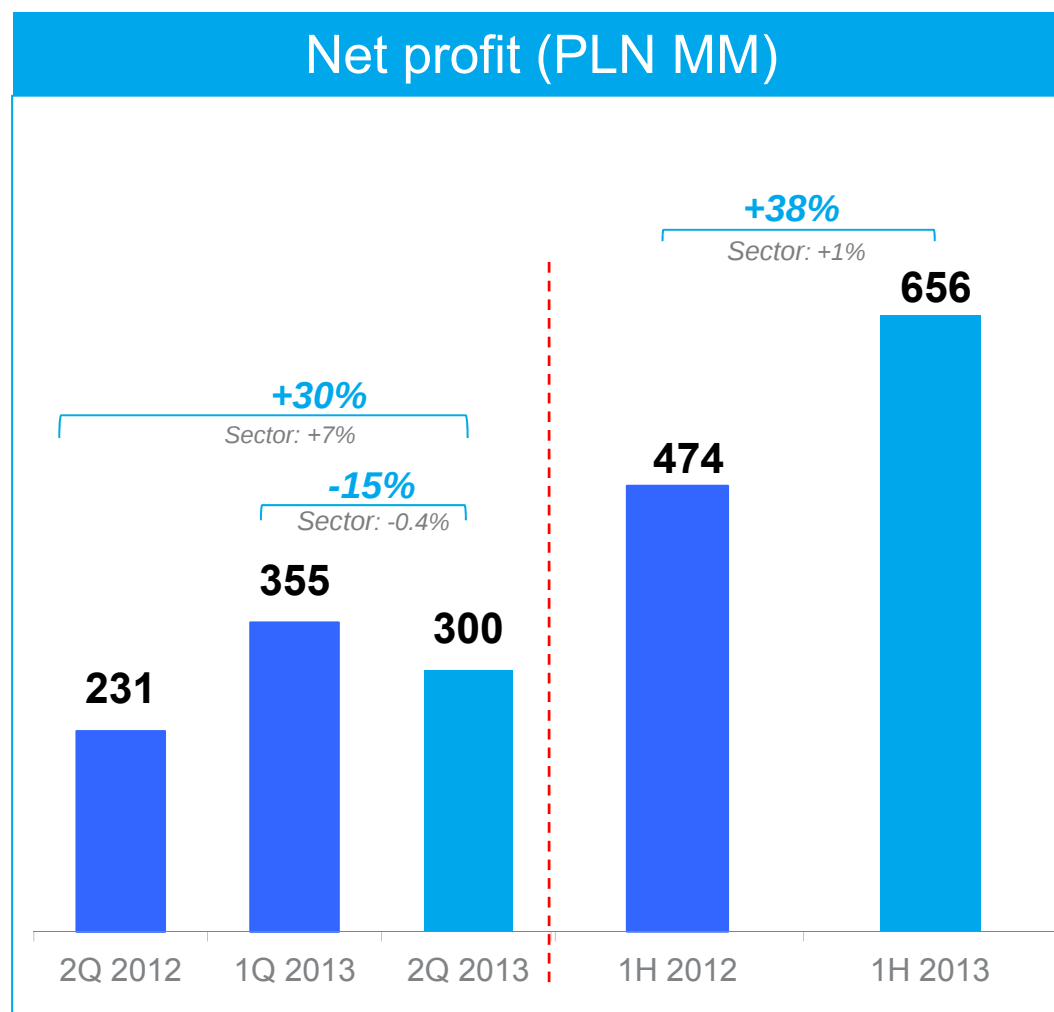
#1 in Gold segment in the independent NPS research



Internal NPS result above the strategic target



Another quarter of solid net profit



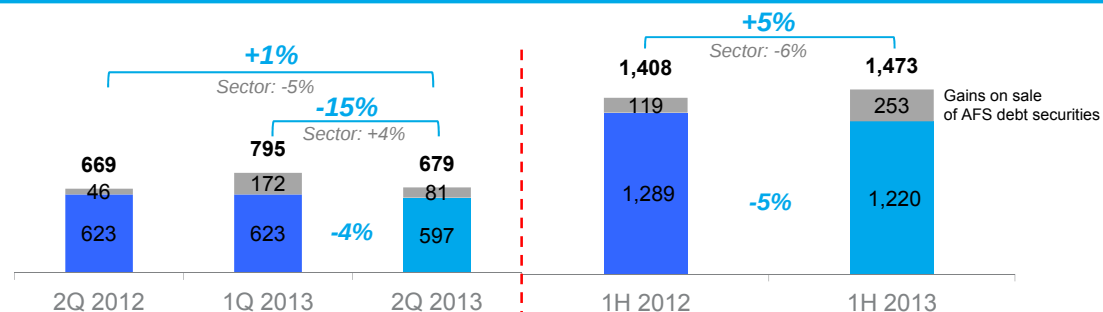
Key financial ratios in 2Q 2013

	Bank	Sector
ROA	2.7%	1.1%
ROTE	22.2%	N/A
ROE	17.9%	11.4%
Cost/Income	48.8%	53.6%
Loans/Deposits	73%	110%
Tier 1	17.5%	13.7%
NPL	6.9%	7.6%

► High efficiency of the Bank – ratios better than the sector and strategic targets

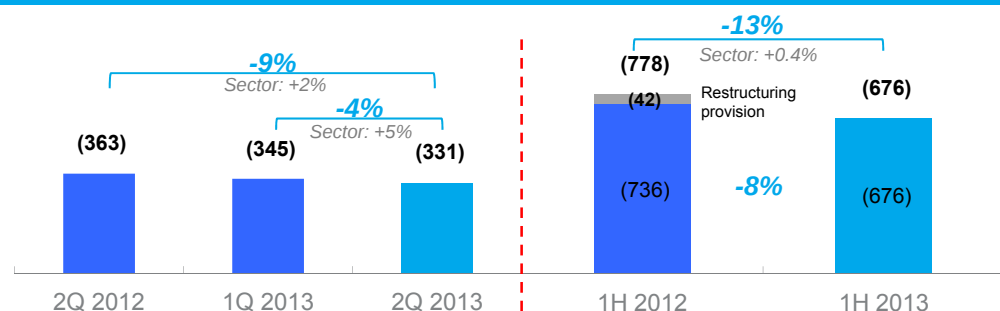
Revenue pressure and discipline in expenses and risk

Revenues (PLN MM)



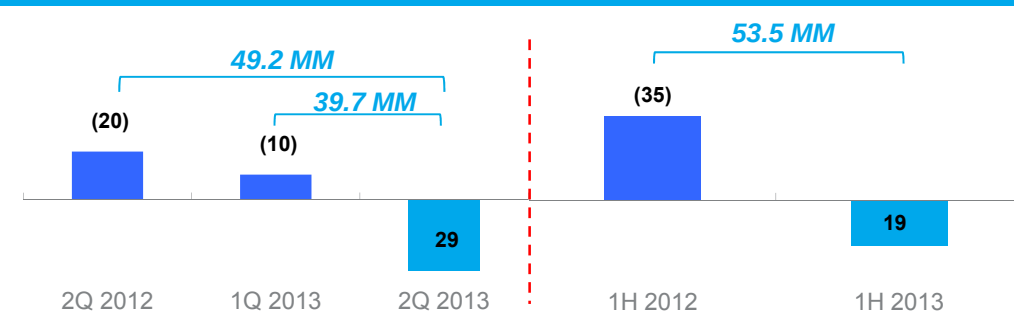
- The QoQ decrease in revenues mainly in the area of treasury (due to lower gains on sale of AFS debt securities).
- Net interest income still under pressure – the decrease partly offset by increase in net fee and commission income

Expenses (PLN MM)



- The YoY decrease in expenses primarily as a result of the branch network optimization and employment restructuring
- The QoQ decrease in expenses due to seasonally higher level of expenses in 1Q 2013

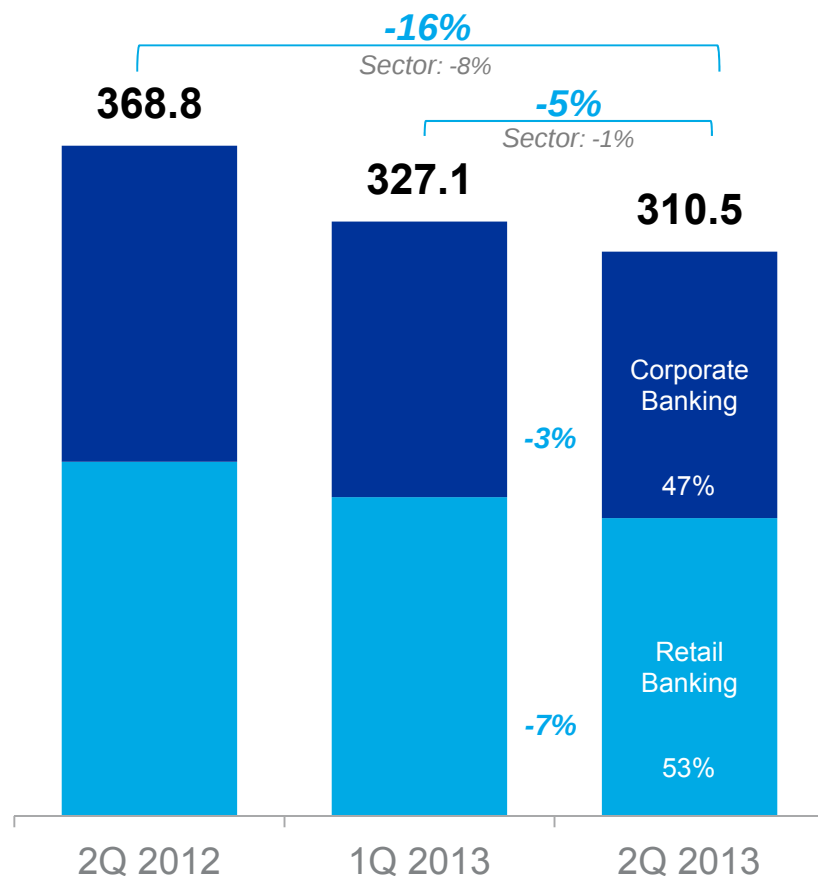
Net impairment losses (PLN MM)



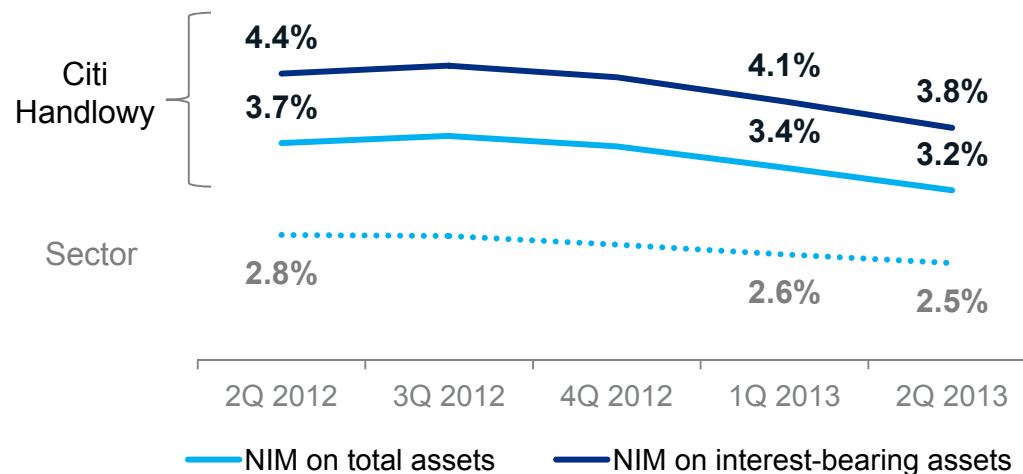
- Cost of risk* maintained at a low level: 3 bps. in 2Q 2013 (vs. 37 bps. in 1Q 2013 and 41 bps. in 2Q 2012)
- Reversal of net impairment losses in Retail Banking due to a further positive trend of portfolio quality improvement and sale of NPL portfolio (PLN 23.3 MM impact on net impairment losses)
- Corporate Banking – the QoQ decrease in net impairment losses and stable YoY level

Net interest income

Net interest income (PLN MM)



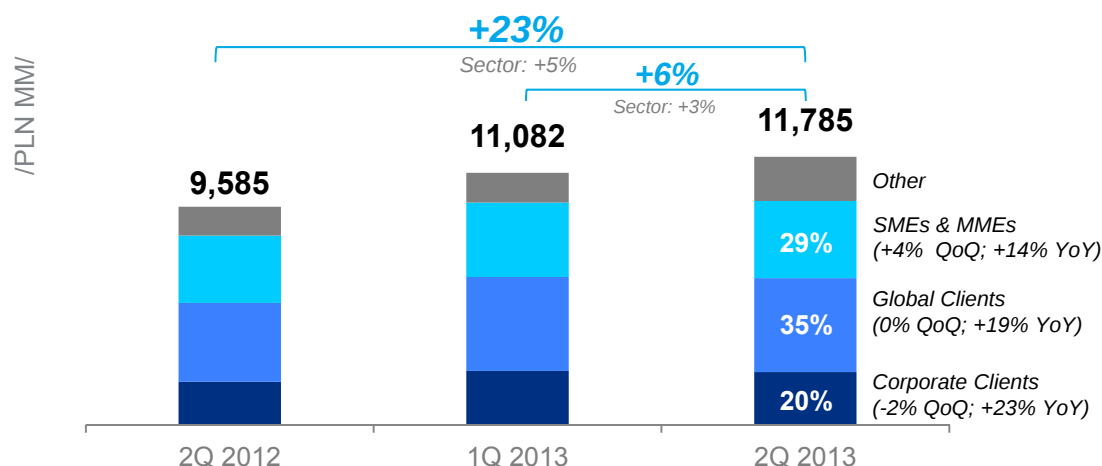
Net interest margin (NIM) - Bank vs. sector



- The decrease in net interest income in 2Q 2013, however at a lower pace than in previous quarters, mainly as a result of:
 - The decrease in customer interest income (decrease of 10% QoQ and 16% YoY) partly offset by lower interest expenses (the decrease of 12% QoQ and 28% YoY)
 - The decrease in interest income from credit cards (as a result of cuts in interest rates partly mitigated by higher volumes)
 - Lower interest income from AFS debt securities (the decrease of 6% QoQ and 32% YoY)
- Net interest margin still above the market level, despite the decline

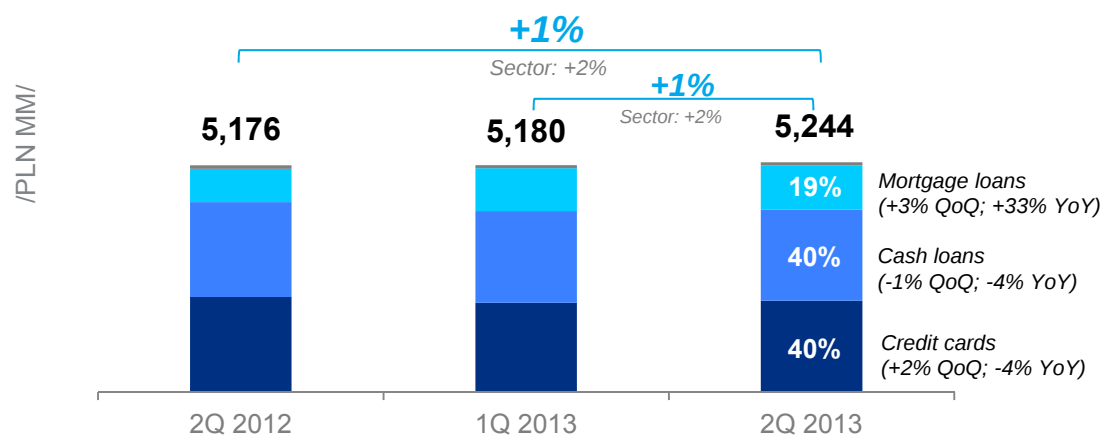
Loan volumes

Institutional non-banking customers' loans



- The QoQ increase in receivables, mainly due to financial sector entities and **higher lending volumes in SME and MME segments**
- The QoQ decrease in loans in Corporate and Global Clients segment (the QoQ decrease of 0% and -2% respectively) due to **limited demand for working capital** and **slowdown in investment plans**

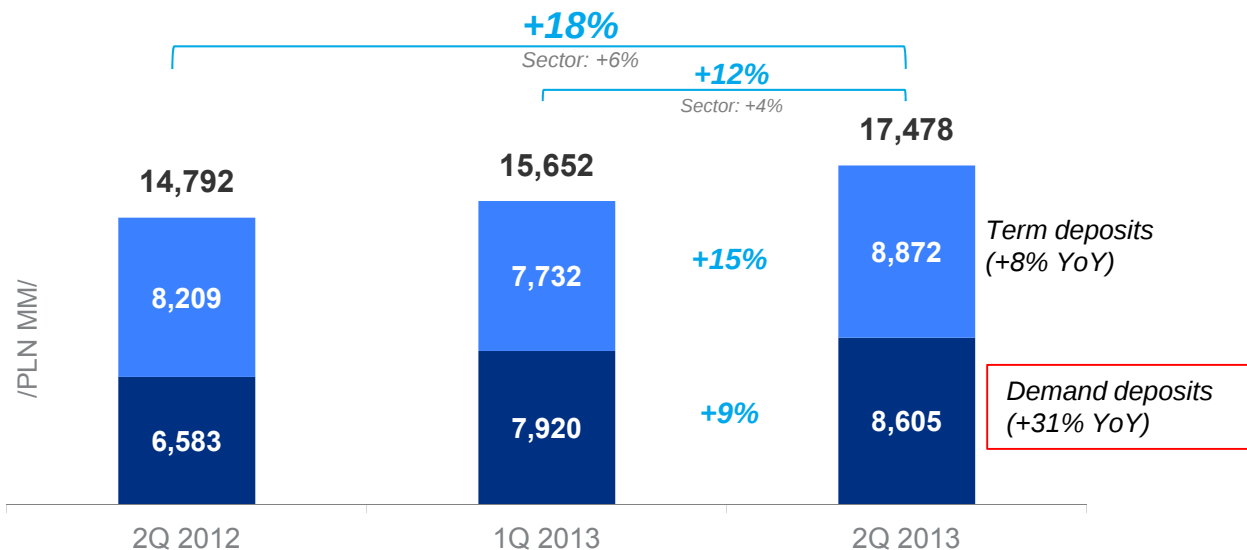
Individual customers' loans



- The increase in **credit cards loans** (+2% QoQ vs. 0% in sector)
- A **further increase in mortgage loans portfolio** (portfolio value above PLN 1 B as of the end of 2Q 2013), however at a lower pace than in previous quarters
- A further downward trend of cash loans

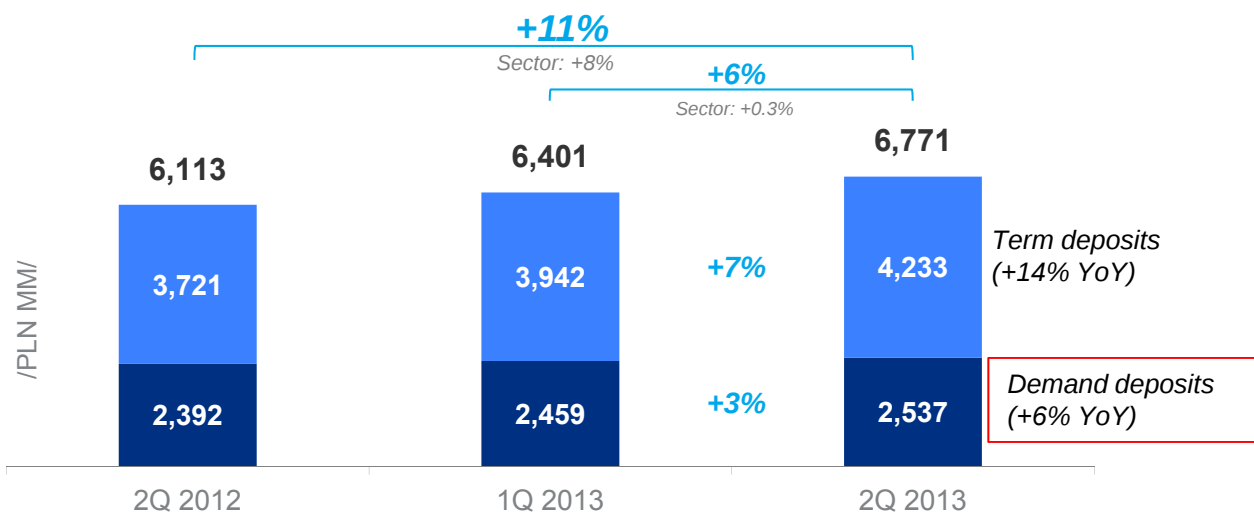
Deposits – focus on operating accounts

Institutional non-banking customers' deposits



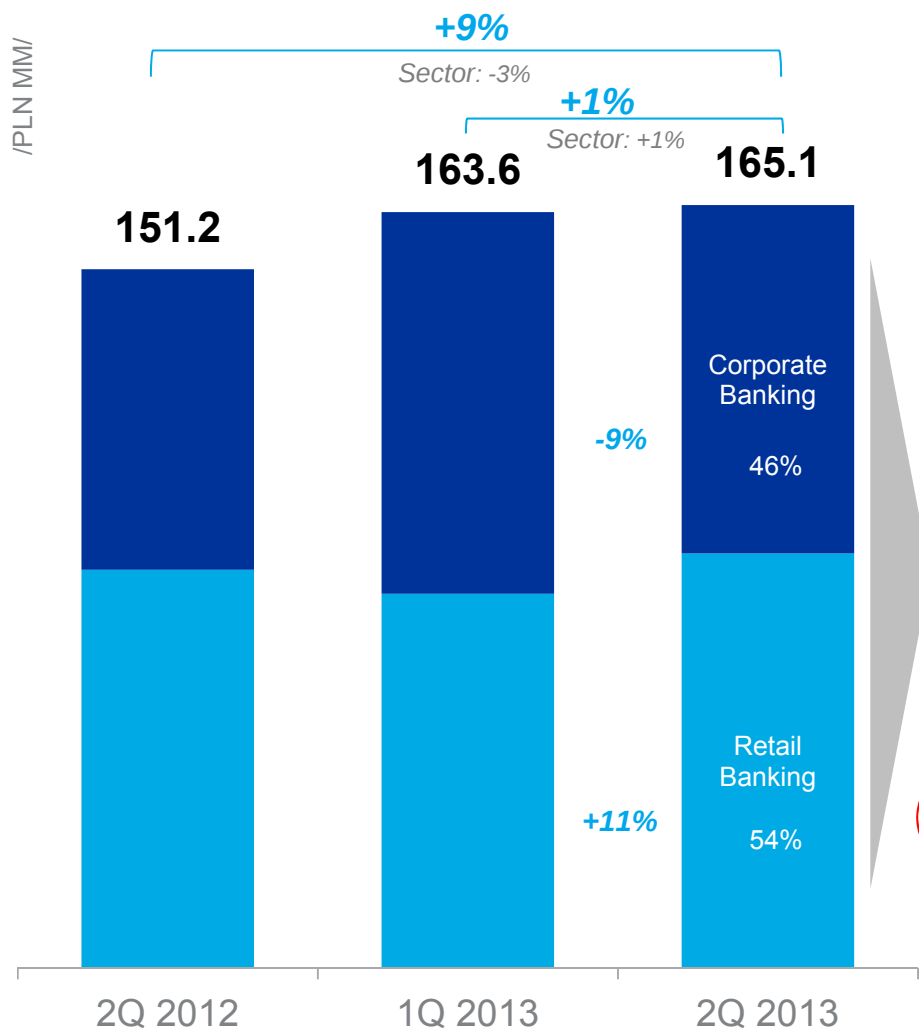
- A double-digit growth of deposits
- Further consistent growth of demand deposits as a result of Bank's focus on operating accounts

Individual customers' deposits



- Inflow of individual customers' deposits in 2Q 2013, mainly in current accounts and saving accounts (the QoQ growth of **3%** and **10%** respectively)
- The QoQ increase above the market level

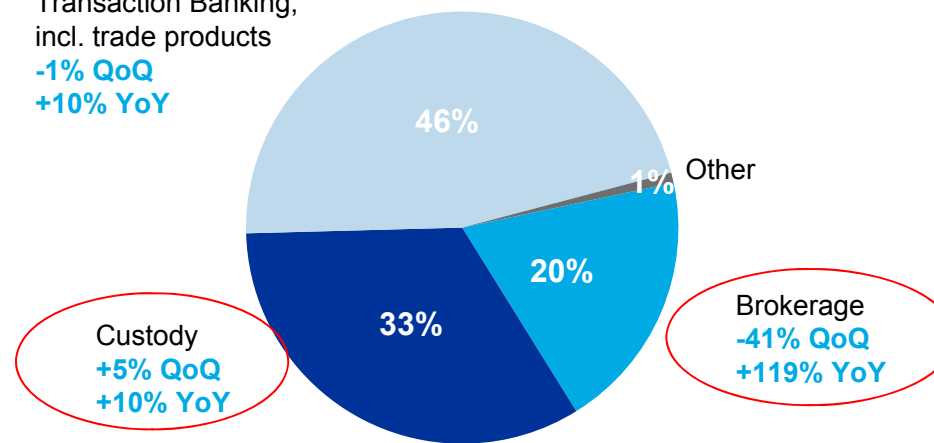
Net fee & commission income – increase driven by the capital markets



Corporate Banking -9% QoQ and +16% YoY

Transaction Banking,
incl. trade products

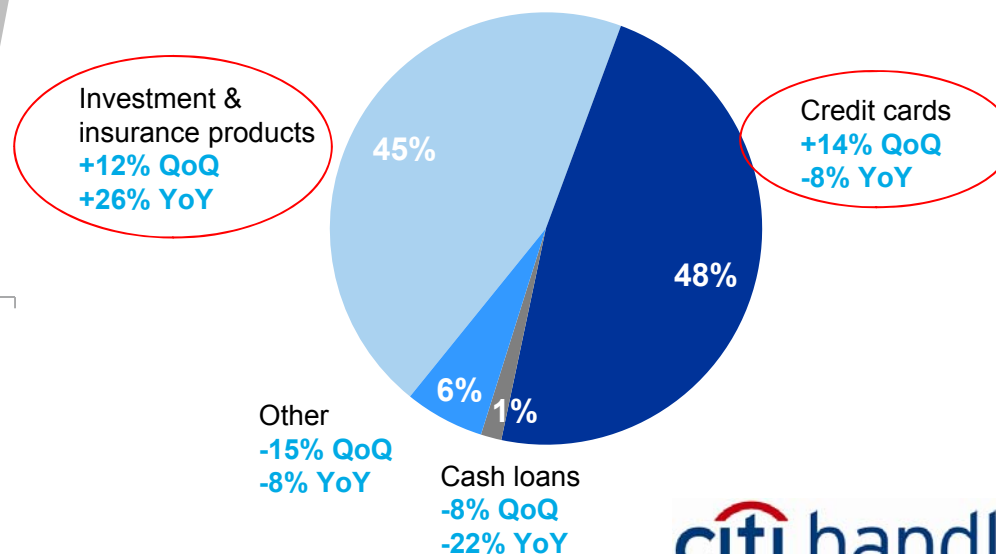
-1% QoQ
+10% YoY



Retail Banking +11% QoQ and +4% YoY

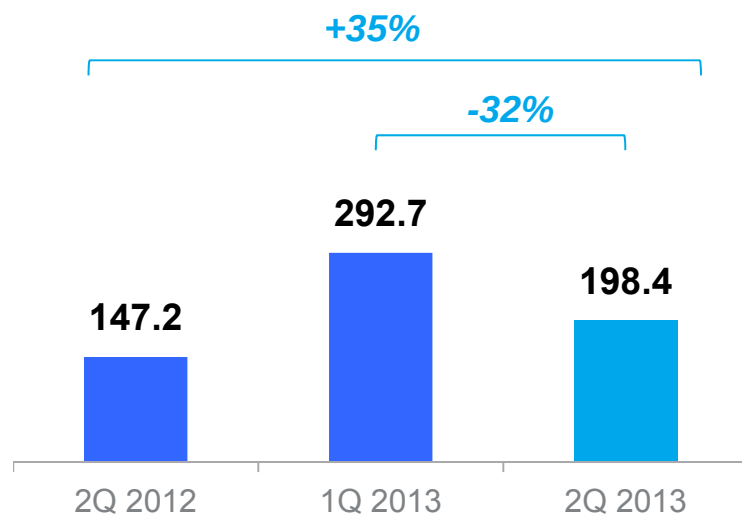
Investment &
insurance products

+12% QoQ
+26% YoY

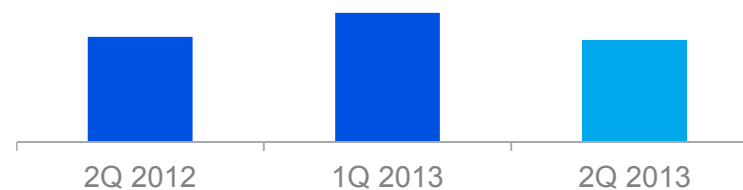


Treasury result

Treasury result (PLN MM)



Result on customer operations



Result on proprietary management

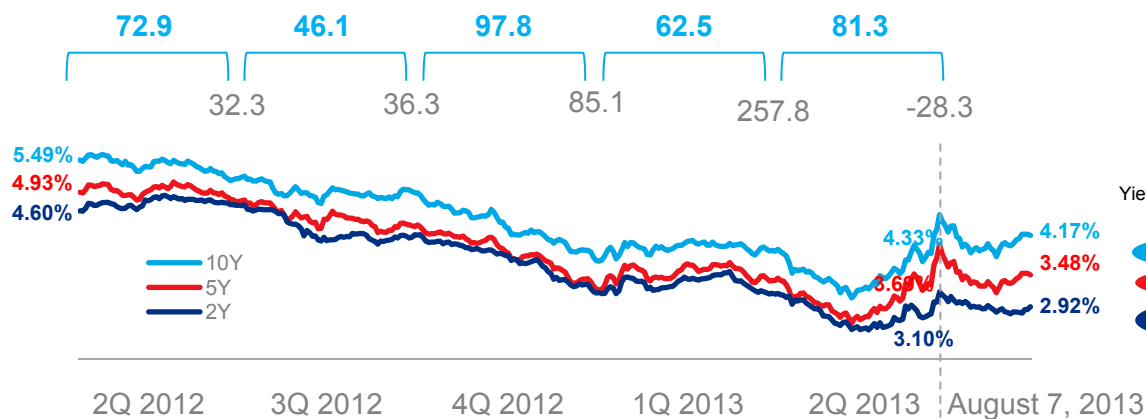


Note: The scales on the graphs are not comparable.

Government bond yields vs. gains on sale of debt securities (PLN MM)

Gains on sale of the portfolio in respective quarter (PLN MM)

Valuation in the equity as of the end of a quarter (PLN MM)



Yield change YoY

-82 bps.
-104 bps.
-153 bps.

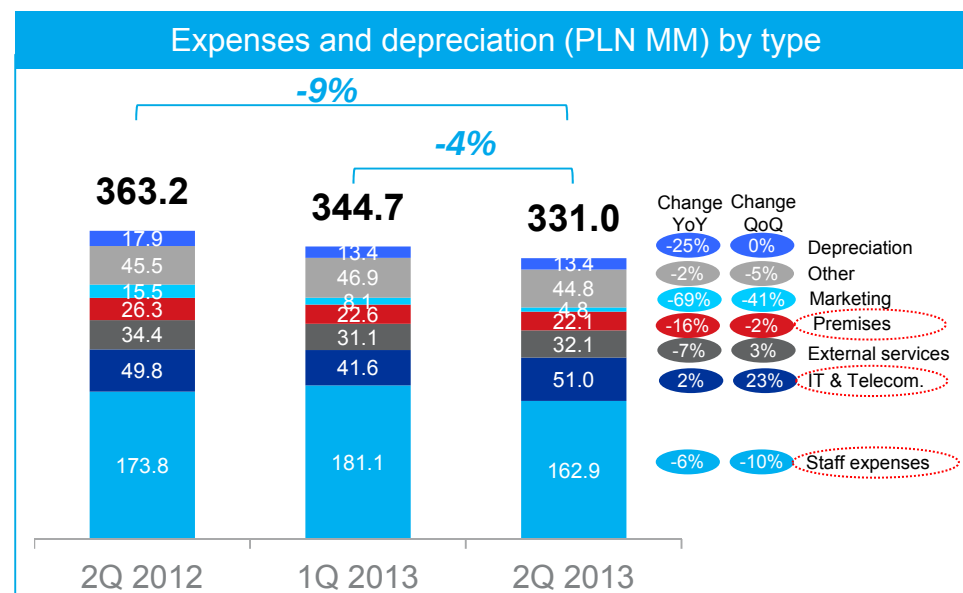
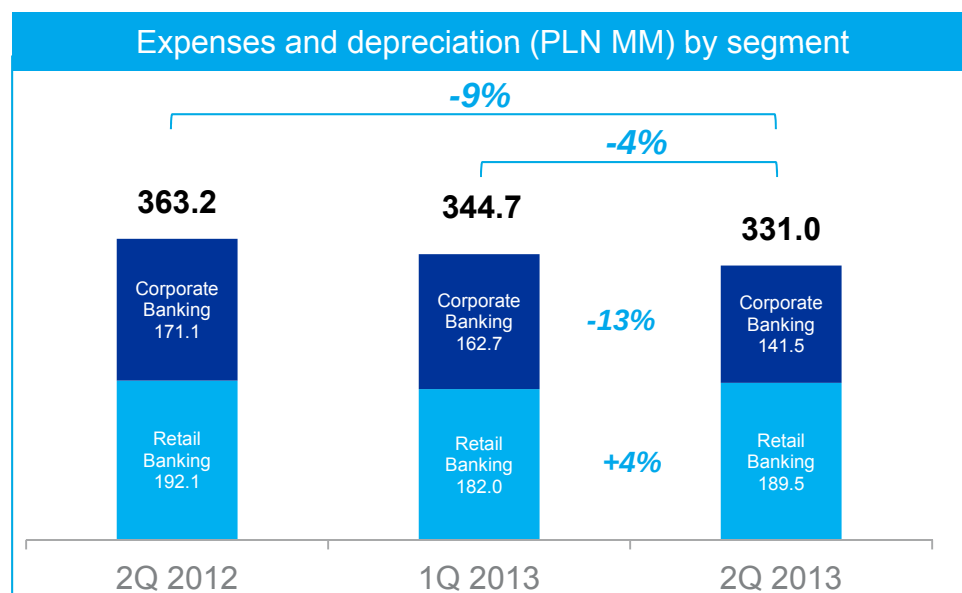
Yield change QoQ

41 bps.
27 bps.
-5 bps.

Yield change QTD

-17 bps.
-21 bps.
-18 bps.

Expenses and depreciation



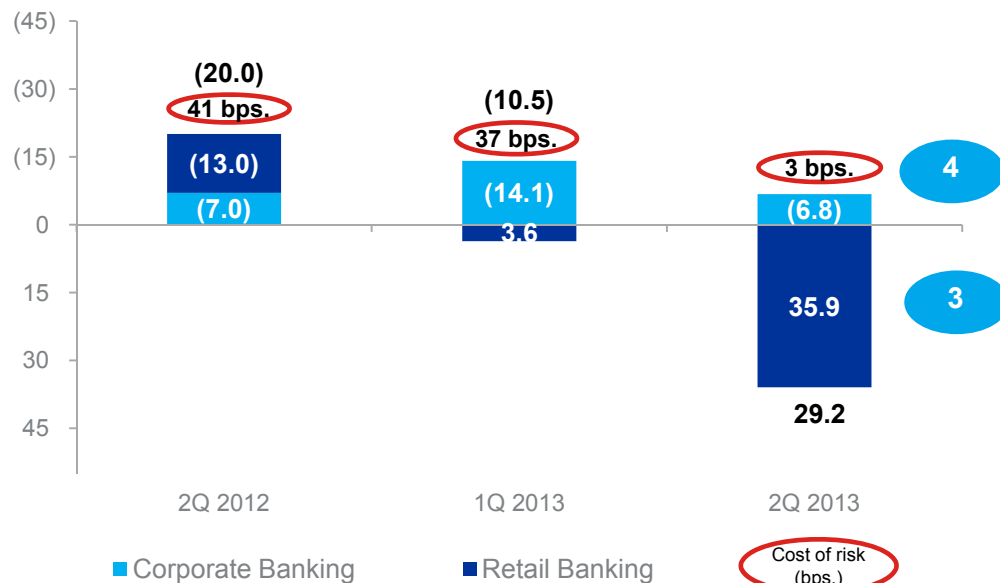
Cost efficiency ratios and employment data

	2Q 2012	1Q 2013	2Q 2013	Change QoQ	Change YoY
Cost / Income ratio					
Bank	54%	43%	49%	↑	↓
Corporate Banking	45%	30%	34%	↑	↓
Retail Banking	67%	70%	73%	↑	↑
Employment in Bank (number of FTEs as of the end of period)					
	5,295	5,024	4,796	↓	↓

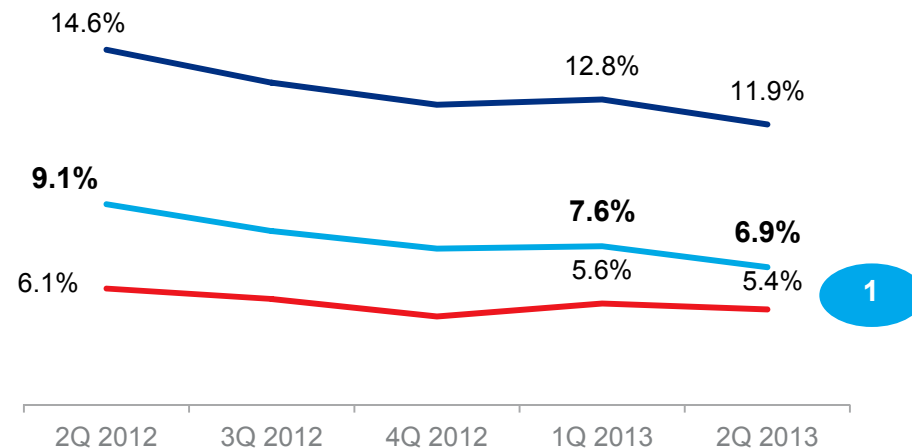
- The YoY decrease in Bank's expenses mainly due to:
 - the branch network optimization and employment restructuring (the decrease in staff, premises, depreciation)
 - lower advertising and marketing expenses
- The QoQ decrease in Bank's expenses mainly due to:
 - drop in staff expenses
 - lower spending on advertising and marketing
- Cost / Income ratio at 49% in 2Q 2013

Consistent credit risk policy

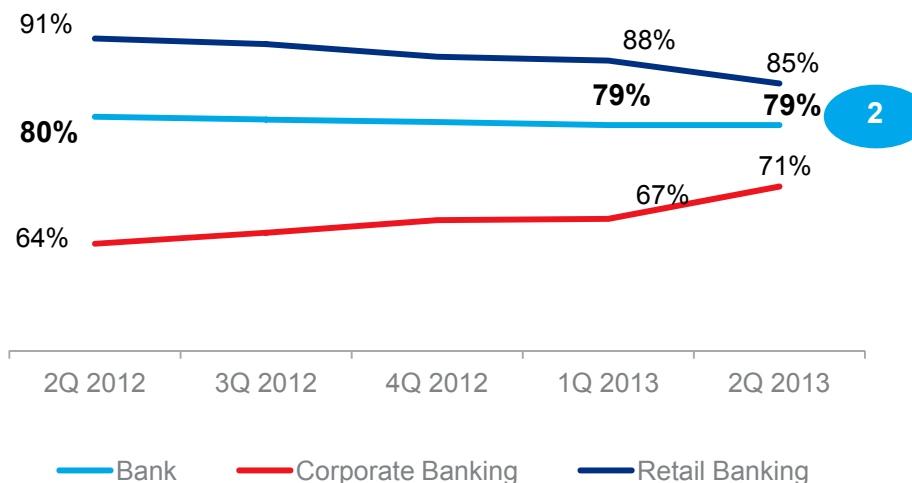
Net impairment losses (PLN MM)



Non-performing loans ratio (NPL)



Provision coverage ratio



1

NPL ratio at **6.9%**, down both in QoQ and YoY terms driven by better loan portfolio quality in retail and corporate customers' segments

2

Provision coverage ratio remained at a high level of **79%**

3

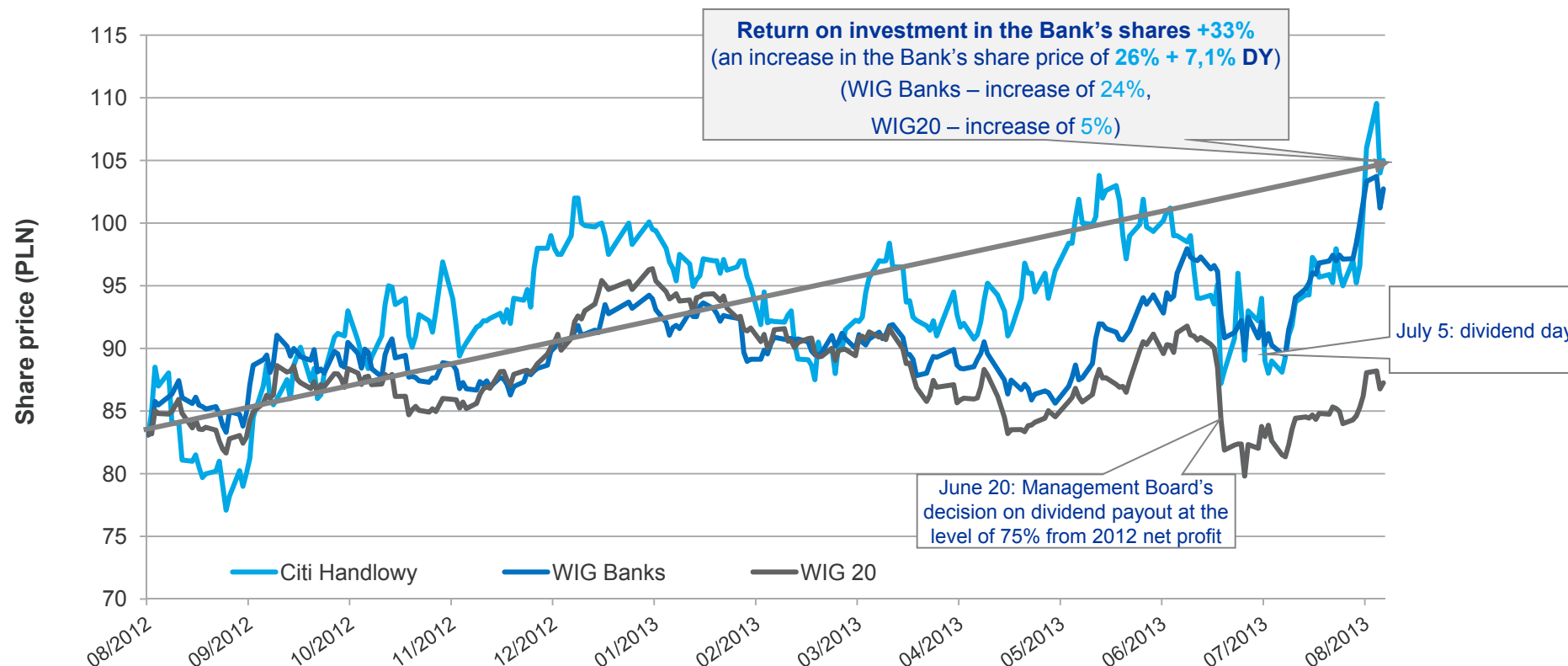
Reversal of net impairment losses in Retail Banking segment due to better portfolio quality and NPL sales in 2Q 2013

4

Annualized cost of risk significantly below the sector (**0.03%** vs. **0.96%** in sector)

Change in Citi Handlowy's share price in the latest 12M horizon

Citi Handlowy's share price vs. main indices

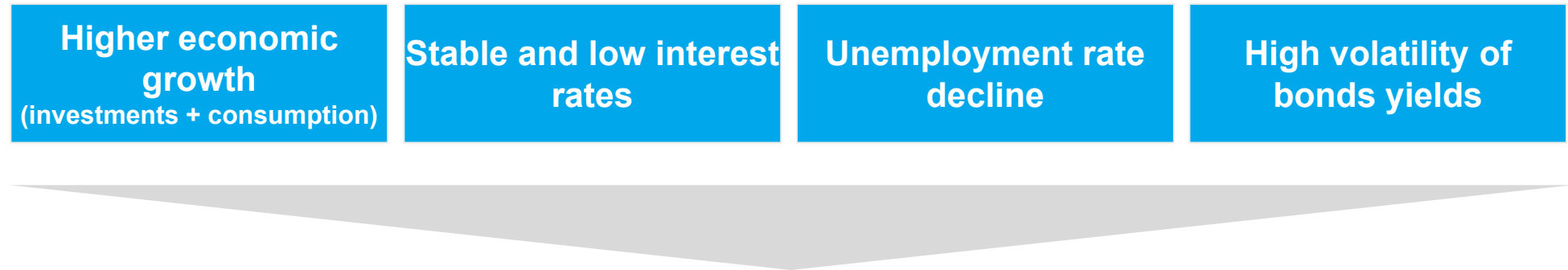


Note: The latest listing as of August 7, 2013 (Citi Handlowy: PLN 105.00)

Dividends paid by Citi Handlowy since its debut on the WSE

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Dividend payout ratio	23%	31%	39%	64%	100%	100%	100%	100%*	80%	86%	77%	0%	94%	100%	50%	75%
Dividend yield	3.1%	1.9%	3.8%	1.7%	2.3%	2.6%	3.1%	18.7%	5.6%	5.8%	4.5%	-	7.1%	7.1%	3.3%	7.1%

Expectations for the second half of 2013



Corporate Banking

- Growth of demand for working capital and investment loans
- Debt and capital (equity) market recovery
- Increase in demand for the FX and trade market fluctuations hedging instruments

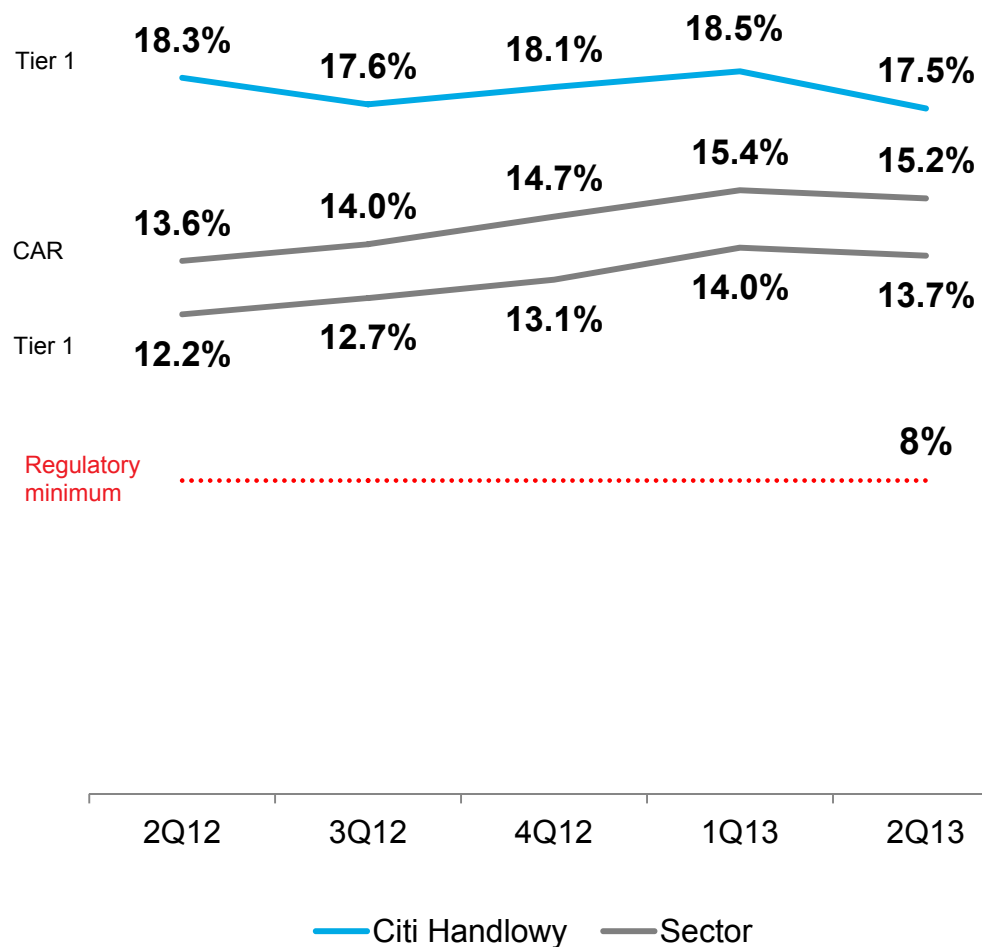
Retail Banking

- Growth of demand for loan products
- Increase in demand for insurance and investment products

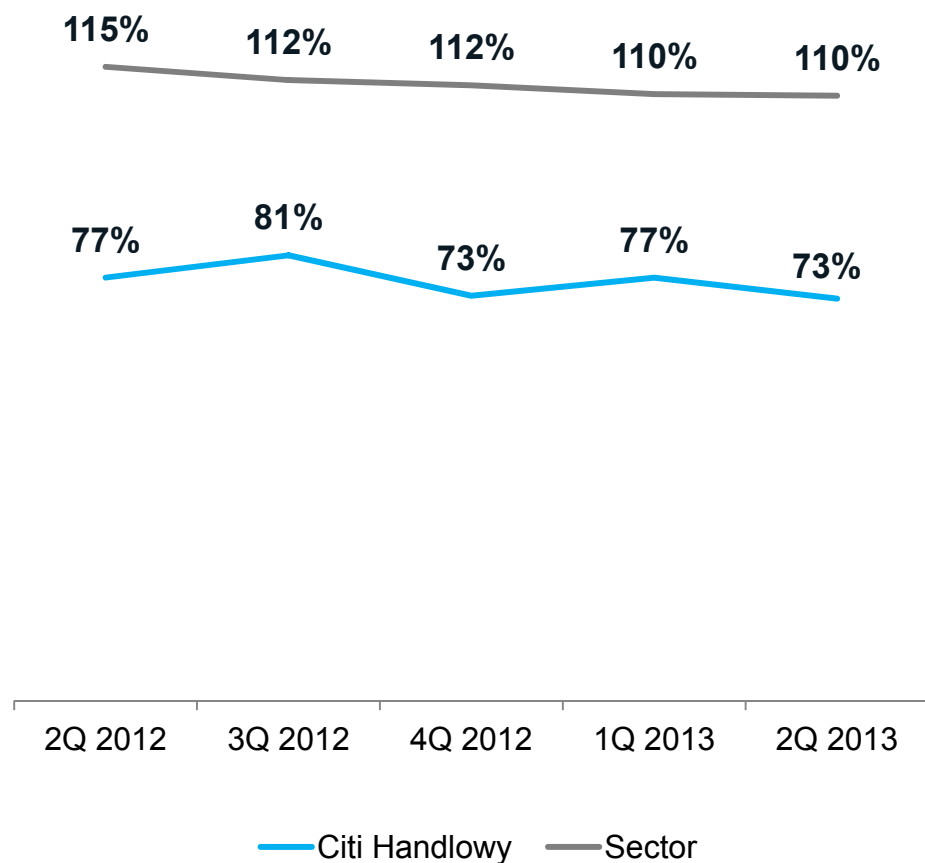
Appendix

Liquidity and capital adequacy – stable and safe position

Capital adequacy ratio – Bank vs. sector



Loans to deposits ratio – Bank vs. sector



Income statement – Bank

PLN MM	2Q12	3Q12	4Q12	1Q13	2Q13	2Q13 vs. 1Q13		2Q13 vs. 2Q12	
						PLN MM	%	PLN MM	%
Net interest income	369	370	351	327	311	(17)	(5%)	(58)	(16%)
Interest income	513	532	497	442	412	(30)	(7%)	(100)	(20%)
Interest expenses	(144)	(161)	(145)	(115)	(102)	13	(11%)	42	(29%)
Net fee and commission income	151	152	144	164	165	2	1%	14	9%
Dividend income	5	1	-	-	4	4	-	(1)	-
Gains on AFS debt securities	46	98	63	172	81	(91)	(53%)	35	76%
FX and trading	101	61	93	121	117	(4)	(3%)	16	16%
Treasury	147	159	155	293	198	(94)	(32%)	51	35%
Net gain on capital investment instruments	-	-	-	2	-	(2)	(100%)	-	-
Net other operating income	(4)	(8)	(5)	9	0	(9)	(97%)	4	(108%)
Revenue	669	674	645	795	679	(116)	(15%)	10	1%
Expenses	(345)	(321)	(300)	(331)	(318)	14	(4%)	28	(8%)
Depreciation	(18)	(16)	(15)	(13)	(13)	0	(0%)	5	(25%)
Expenses and depreciation	(363)	(337)	(315)	(345)	(331)	14	(4%)	32	(9%)
Operating margin	306	338	330	450	348	(102)	(23%)	42	14%
Net impairment losses	(20)	(22)	(1)	(10)	29	40	(379%)	49	(246%)
Share in subs' profits	0	0	0	(0)	(1)	(1)	876%	(1)	(5056%)
EBIT	286	316	329	440	376	(64)	(15%)	90	31%
Corporate income tax	(55)	(64)	(85)	(84)	(75)	9	(10%)	(20)	37%
Net profit	231	251	245	355	300	(55)	(15%)	70	30%
C/I ratio	54%	50%	49%	43%	49%				

Balance sheet – key items

PLN B	End of period					2Q13 vs. 1Q13		2Q13 vs. 2Q12	
	2Q12	3Q12	4Q12	1Q13	2Q13				
Cash and balances with the Central Bank	0.6	0.9	1.4	1.0	0.8	(0.3)	(26%)	0.1	18%
Amounts due from banks	1.0	2.1	1.5	1.4	2.3	0.9	60%	1.3	126%
Financial assets held-for-trading	6.9	5.9	6.8	9.2	8.9	(0.3)	(3%)	1.9	28%
Debt securities available-for-sale	15.6	8.7	15.0	12.0	14.1	2.1	18%	(1.5)	(10%)
Customer loans	14.8	15.8	16.2	16.3	17.0	0.8	5%	2.3	15%
Financial sector entities	0.8	1.2	0.9	1.6	2.4	0.8	51%	1.7	215%
Non-financial sector entities	14.0	14.6	15.3	14.7	14.6	(0.0)	(0%)	0.6	4%
Corporate Banking	8.8	9.4	10.0	9.5	9.4	(0.1)	(1%)	0.5	6%
Retail Banking	5.2	5.2	5.3	5.2	5.2	0.1	1%	0.1	1%
Credit cards	2.2	2.2	2.2	2.0	2.1	0.0	2%	(0.1)	(4%)
Cash loans	2.2	2.1	2.1	2.1	2.1	(0.0)	(1%)	(0.1)	(4%)
Mortgage	0.8	0.9	0.9	1.0	1.0	0.0	3%	0.2	33%
Other assets	2.9	3.0	2.6	2.8	3.2	0.3	12%	0.3	11%
Total assets	41.9	36.5	43.5	42.7	46.3	3.5	8%	4.4	11%
Liabilities due to banks	8.7	2.6	2.4	5.7	7.1	1.4	25%	(1.6)	(19%)
Financial liabilities held-for-trading	3.6	4.7	5.8	5.3	4.8	(0.5)	(9%)	1.2	33%
Financial liabilities due to customers	21.1	20.9	26.9	22.8	25.0	2.1	9%	3.8	18%
Financial sector entities - deposits	2.7	2.6	2.8	3.0	4.2	1.3	43%	1.6	58%
Non-financial sector entities - deposits	18.2	18.1	20.8	19.1	20.0	0.9	5%	1.8	10%
Corporate Banking	12.1	12.0	14.9	12.7	13.3	0.6	4%	1.1	9%
Retail Banking	6.1	6.1	5.9	6.4	6.8	0.4	6%	0.7	11%
Other financial liabilities	0.2	0.2	3.2	0.7	0.7	(0.1)	(7%)	0.5	248%
Other liabilities	1.7	1.4	1.1	1.4	2.4	1.0	71%	0.7	43%
Total liabilities	35.2	29.5	36.1	35.2	39.3	4.1	12%	4.1	12%
Equity	6.7	7.0	7.4	7.6	7.0	(0.6)	(7%)	0.3	5.0%
Total liabilities & equity	41.9	36.5	43.5	42.7	46.3	3.5	8%	4.4	11%
Loans / Deposits ratio	77%	81%	73%	77%	73%				
Capital Adequacy Ratio	18.3%	17.6%	18.1%	18.5%	17.5%				

Corporate Banking – income statement

PLN MM	2Q12	3Q12	4Q12	1Q13	2Q13	2Q13 vs. 1Q13		2Q13 vs. 2Q12	
						PLN MM	%	PLN MM	%
Net interest income	174	175	164	152	147	(5)	(3%)	(27)	(16%)
Interest income	287	306	279	238	220	(18)	(7%)	(67)	(23%)
Interest expenses	(113)	(131)	(116)	(86)	(74)	13	(15%)	40	(35%)
Net fee and commission income	65	59	61	83	75	(7)	(9%)	10	16%
Dividend income	2	1	-	-	1	1	-	(0)	-
Gains on AFS debt securities	46	98	63	172	81	(91)	(53%)	35	76%
FX and trading	91	52	84	113	108	(4)	(4%)	17	19%
Treasury	138	150	147	285	190	(95)	(33%)	52	38%
Net gain on capital investment instruments	-	-	-	2	-	(2)	(100%)	-	-
Net other operating income	2	1	1	15	5	(10)	(67%)	3	125%
Revenue	380	385	372	536	418	(118)	(22%)	38	10%
Expenses	(163)	(142)	(162)	(156)	(135)	21	(13%)	28	(17%)
Depreciation	(8)	(6)	(7)	(7)	(6)	0	(5%)	2	(23%)
Expenses and depreciation	(171)	(149)	(169)	(163)	(142)	21	(13%)	30	(17%)
Operating margin	209	237	203	373	276	(97)	(26%)	67	32%
Net impairment losses	(7)	(16)	(4)	(14)	(7)	7	(52%)	0	(4%)
Share in subs' profits	0	0	0	(0)	(1)	(1)	876%	(1)	(5056%)
EBIT	202	221	200	359	269	(90)	(25%)	66	33%
C/I ratio	45%	39%	45%	30%	34%				

Retail Banking – income statement

PLN MM	2Q12	3Q12	4Q12	1Q13	2Q13	2Q13 vs. 1Q13		2Q13 vs. 2Q12	
						PLN MM	%	PLN MM	%
Net interest income	195	195	188	175	164	(11)	(7%)	(31)	(16%)
Interest income	225	225	217	204	192	(12)	(6%)	(33)	(15%)
Interest expenses	(30)	(30)	(30)	(28)	(28)	0	(1%)	2	(8%)
Net fee and commission income	86	93	83	81	90	9	11%	4	4%
Dividend income	4	-	-	-	3	3	-	(1)-	
FX and trading	10	9	8	8	9	1	9%	(1)	(10%)
Net other operating income	(6)	(8)	(6)	(5)	(5)	1	(15%)	1	(24%)
Revenue	288	289	273	259	261	2	1%	(28)	(10%)
Expenses	(183)	(179)	(138)	(175)	(183)	(7)	4%	0	(0%)
Depreciation	(10)	(9)	(8)	(7)	(7)	(0)	5%	3	(27%)
Expenses and depreciation	(192)	(188)	(146)	(182)	(189)	(7)	4%	3	(1%)
Operating margin	96	101	127	77	71	(6)	(8%)	(25)	(26%)
Net impairment losses	(13)	(7)	3	4	36	32	889%	49	(377%)
EBIT	83	94	130	81	107	26	33%	24	29%
C/I ratio	67%	65%	53%	70%	73%				

Retail banking volumes

Volumes (PLN million)	2Q12	3Q12	4Q12	1Q13	2Q13	2Q13 vs. 1Q13		2Q13 vs. 2Q12	
						PLN MM	%	PLN MM	%
Deposits	6 113	6 080	5 887	6 401	6 771	370	6%	658	11%
Demand deposits	2 392	2 411	2 385	2 459	2 537	78	3%	146	6%
Other deposits	3 721	3 669	3 501	3 942	4 233	291	7%	512	14%
including saving accounts	2 507	2 432	2 426	2 968	3 253	285	10%	746	30%
Loans	5 176	5 239	5 260	5 180	5 244	64	1%	68	1%
Credit cards	2 170	2 161	2 150	2 038	2 084	46	2%	(86)	(4%)
Cash loans	2 165	2 135	2 104	2 092	2 080	(12)	(1%)	(85)	(4%)
Mortgage loans	759	862	926	978	1 008	30	3%	249	33%