



2022-2024 Bank Handlowy Group Strategy

February 17th, 2022

Citi Handlowy priorities for 2022-2024

Strategy of the Bank is based on two business segments – Institutional Banking and Consumer Banking

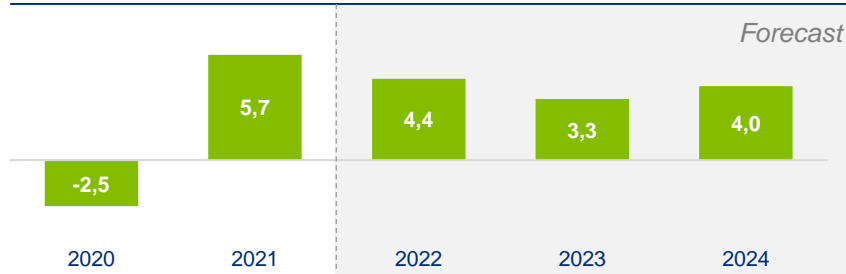


Macroeconomic assumptions

Macroeconomic forecasts reviewed as of January 31, 2022

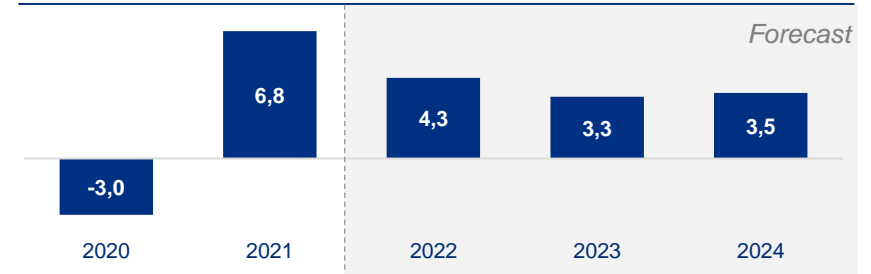
GDP growth

YoY, %



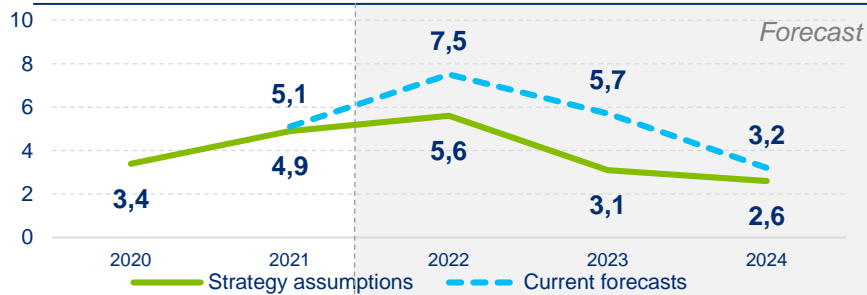
Private consumption

YoY, %



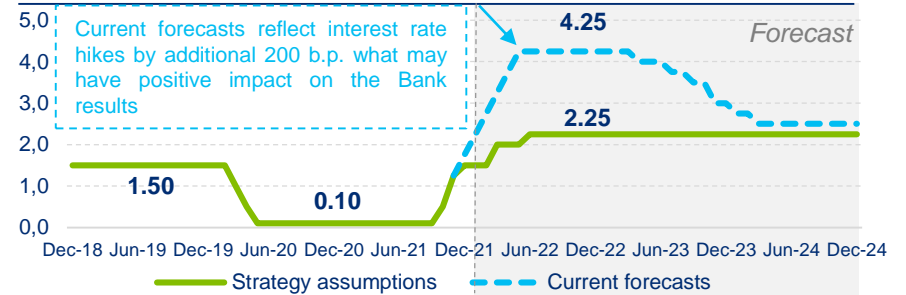
CPI rate

average YoY, %



NBP reference rate

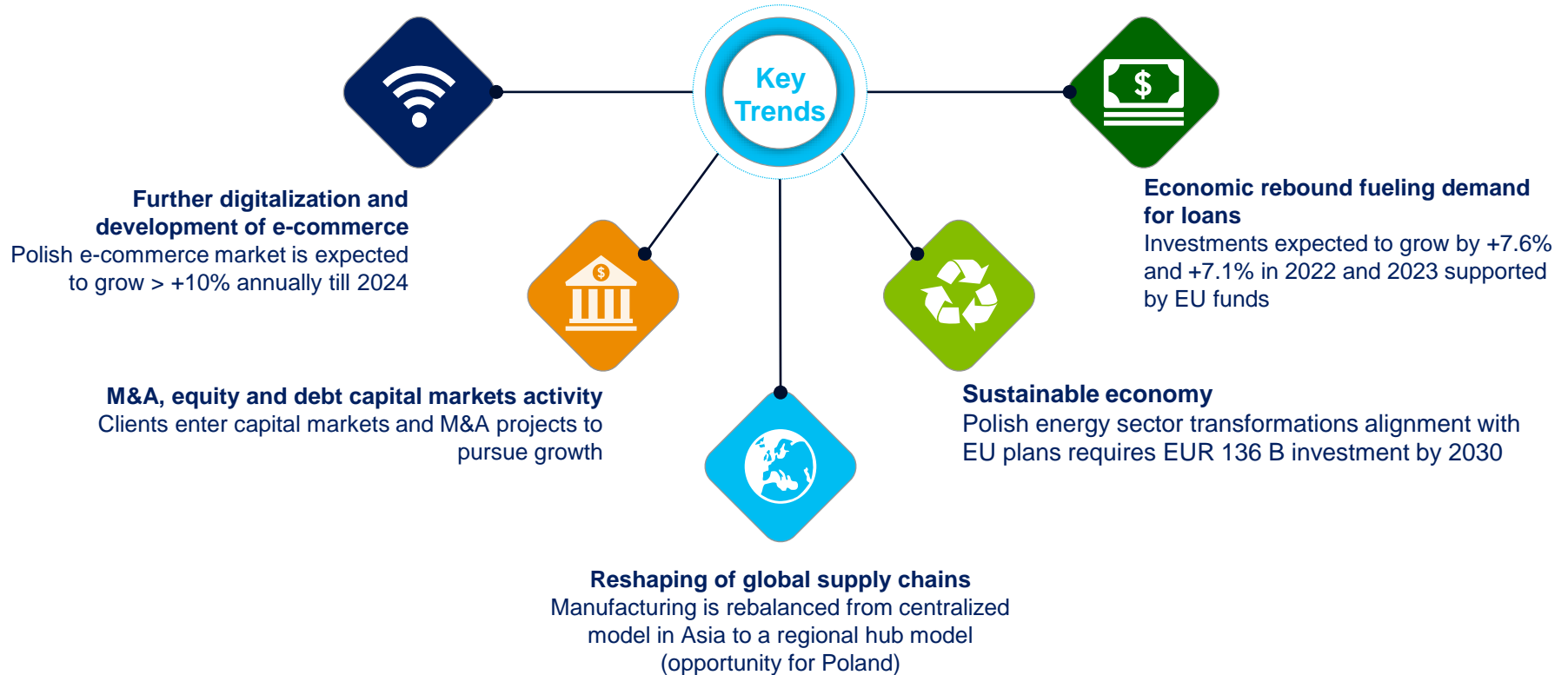
%



Source: Citi Research as end of November 2021 and January 2022 update



Banking Industry Dynamics | Key Trends Impacting Institutional Banking



Executive summary



Key Highlights

- Citi Handlowy revenue growth by 6% YoY on average, meanwhile client revenue in Institutional Banking increase by ca. 8% YoY on average
- Maintain cost discipline (expenses CAGR of 3%) with prudent risk management (normalized cost of risk below 40 b.p.)
- Double digit return on equity (ROE) above the level of 12%
- Continue dividend payout of minimum 75% of net profit assumed (subject to KNF approval)
- ICG growth strategy focused on high growth areas of the economy: Commercial Bank, digital/e-commerce, ESG, capital markets
- Focus on return to profitability in Consumer Bank
- GCB client and employee retention as priorities



Environment

- ▲ Strong economic recovery post-Covid
- ▲ First rate increase earlier than assumed and rates increase to above pre pandemic levels
- ▲ Polish companies expanding abroad
- ▲ Strong growth of e-commerce sector
- ▼ Change in Citi strategy for 14 countries incl. Poland assuming exit from consumer banking
- ▼ Delay in distribution of EU funds
- ▼ Very low unemployment affecting ability to attract/retain talent
- ▼ High inflation and salaries growth as a concern



Items to Watch

- Consumer Bank strategy refresh
- Dynamic growth in Commercial Bank and adequate risk appetite
- Transformation/Technology Investments
- Talent retention
- Geopolitical environment

Institutional Banking Segment | Main initiatives focused on clients

Investment Banking

- Leveraging #1 Investment Bank position in Poland
- Capture capital markets opportunities from post Covid business drivers
- Leading strategic sectors consolidation in Poland
- Taking clients to local and international capital markets
- Securitization

Acquisition

- Shared Services Centers stream in Global Clients segment
- Leveraging our industry expertise and tailored offer for targeted acquisition in Commercial Banking large corporations



Digital

- Payment intermediaries acquisition
- Capturing operational flows of e-commerce leaders
- Acquisition of New Digital Natives
- Provide digital clients with access to unmatched Citi network, dedicated, digitally minded and tech savvy bankers and global industry intelligence

Client assets growth

- Credit process optimization - *Fast Track*
- Better client experience – credit process improvement
- Revised credit policy addressing client needs and post pandemic market environment



Automation

- Creating technological ecosystem allowing for frictionless connectivity between Clients and the Bank
- „Disappearing” solutions focused on convenience eliminating manual workload creating competitive advantage against multibank platforms and FinTechs.
- Plug and play approach to adding markets
- Self-executing FX transactions tools that automate FX risk management
- Instant FX – unique tool to manage small FX tickets



Globality and digital solutions

- Allowing Clients expand their business with single partner equipping them with top-in-class systems



Risk management solutions

- Mitigating risks associated with financial markets and enabling ESG transformation
- Bringing Global Markets experts to local relationships (Blue Chips and Middle Market) to win in currencies, equities, convertible bonds and more
- Delivering platform to execute transactions for bespoke structures and hedging portfolios
- Qualitative and quantitative risk management analysis for clients



Client Service/Experience-Solutions

- Self-service and API connectivity with clients' systems
- Enhanced AML/Compliance monitoring capability
- Wider use of e-signatures and biometrics in contacts with client
- Diverse electronic signatory choices
- Virtual KYC using video solutions



Working Capital Solutions

- Real-time liquidity solutions
- Dynamic investment solutions to manage large volatile cash-flow



Payment/Receivable Solutions

- Virtual accounts
- Open Banking

Commercial Banking | Executive Summary



CORE STRENGTHS

Unique value proposition with local network, access to global markets and track record in helping Polish companies win abroad



GOAL

Bank of first choice for companies with international needs and aspirations

Business Highlights

- Strong performance in 2021 with 13% YoY assets growth
- Segment driven strategy to drive revenue growth and improve returns
- Capital Markets capabilities a major differentiator to our Mid Corporate and digital clients
- Leveraging Global Clients segment ecosystems to capture new global trade flows
- Culture of responsibility for results and for risk and control framework

Strategy focused on revenue growth and improving returns



Mid Corporates / Emerging Corporates Expansion

Acquisition Focus



Build New Assets Portfolio

Assets Growth and Quality
Acquisition Focus



Building Episodic Pipeline

Account Planning



Cash Management

Defending Fee Revenue
Solutions Sales



Acquisition Driven Culture

Hunter Teams
Live Scorecards



Markets Expansion

Acquisition Focus
New Solutions

Strategic Initiatives

Following the Citi “strategic refresh” announcement regarding exit from consumer banking, the Bank have continued pursuing the initiatives while also managing business as usual

Focus initiatives proposed to drive EBIT growth in 2022-24:

1. Installments
2. Offer for Affluent Clients segment development
3. Credit cards acquisitions

Other Enablers

Business execution is the most powerful motivation for our teams at this time

People agenda:

- Managing through change program for key seniors / branch managers. Other program for external trainings / certifications
- Attractive employer

Growth:

- Maintain marketing and drive client acquisition budget as per plan
- Continue installments offer implementation
- Maintain digital agenda in 2022 to build on current momentum and ensure ongoing client relevance



Accountability

- Implementation of new Leadership Principles that articulate the behavioral expectations of all employees
- Voice of employee survey (Leadership Principles Index)



Engagement

- “Beyond Borders” – Mobile talent program
- Engagement Index
- Meritocracy culture



Develop and retain talented individuals who share our values and engage in delivery of Bank's Strategy



Culture of change

- “Own the Change” a firm-wide behavioral change program for all line managers –100% managers to complete the program
- Ability to Challenge for Excellence: know how to raise constructive challenges and accept feedback
- Breaking Barriers: collaborate and work across silos and do what is best for the Bank as a whole



Diversity

- Focus on diversity and inclusion
- Open and frequent communication with respect to hybrid work model

2022 – 2024 Citi Handlowy sustainable strategy | Summary

Our sustainable strategy goal is to support our clients in the transformation their business model towards sustainability and incorporate social and environmental aspects into the Bank's decision making



Support clients in their path to green

- **PLN 1 B assets dedicated to green transformation of the clients**
- **Full cycle of sustainable products and solutions:** advisory, financing, risk and FX management, supplier finance, green deposits
- **Advisory focused on key ESG trends affecting client business models:** reduction of greenhouse gas emission, renewable Energy resources, Energy efficiency, waste management, reusable packages, reduction of resources consumption

Incorporate environment and social risks in credit decisions

- **Sustainable finance framework creation** in order to classify the Bank's green assets: circular economy, clean technology, Energy efficiency, sustainable transportation, renewable resources, water quality
- **Two types of assets classify as green loan:** purpose of financing meets the criteria, or companies for which 90% of revenues are derived from eligible criteria ("pure players")

Reduce own carbon footprint, support for corporate social responsibility initiatives

- Reduction of **greenhouse gas own emission** (Scope 1 and Scope 2) **by at least 50%** and reduction of **energy consumption by at least 40%** - 2019 as base year
- Bank fulfills social responsibility through the Kronenberg Foundation: entrepreneurship education, financial education, employee volunteering, cultural heritage protection, donations program

Key 2021-2024 Financial Goals

