Financial Results of the PKO Bank Polski Group for 2016

6 March 2017

In 2016 we strengthened the leading position among financial institutions in Poland

Bank Polski

1st place
in key market segments

1st place
in the leasing market

after acquisition of Raiffeisen Leasing Polska

The largest employer

in the financial sector
headcount of 29.4 thous.

One of the safest banks in Europe

4th place in stress tests EBA 2016

9.2 million

customers

Mobile banking leader
2.0 mllion

mobile customers

over
2 thous.

offices
including 1.2 own branches

PLN 285.6
bilion

assets

PKO Bank Polski brand awarded in many competitions

Bank Polski

Bank of the Year in Poland as per „The Banker" monthly

Best mobile app in the market
as per „Puls Biznesu" and Bankier.pl

Most digitalised bank
in e-Commerce Polska Awards 2016 competition

SKO
PKO Bank Polski

SKO among the laureates of Child & Youth Friendly Banking Award

PKO Bank Polski maintains a leading market position, improves the quality of the loan portfolio, maintains high efficiency, robust liquidity position and strengthens equity.

We implement strategic projects

Bank Polski

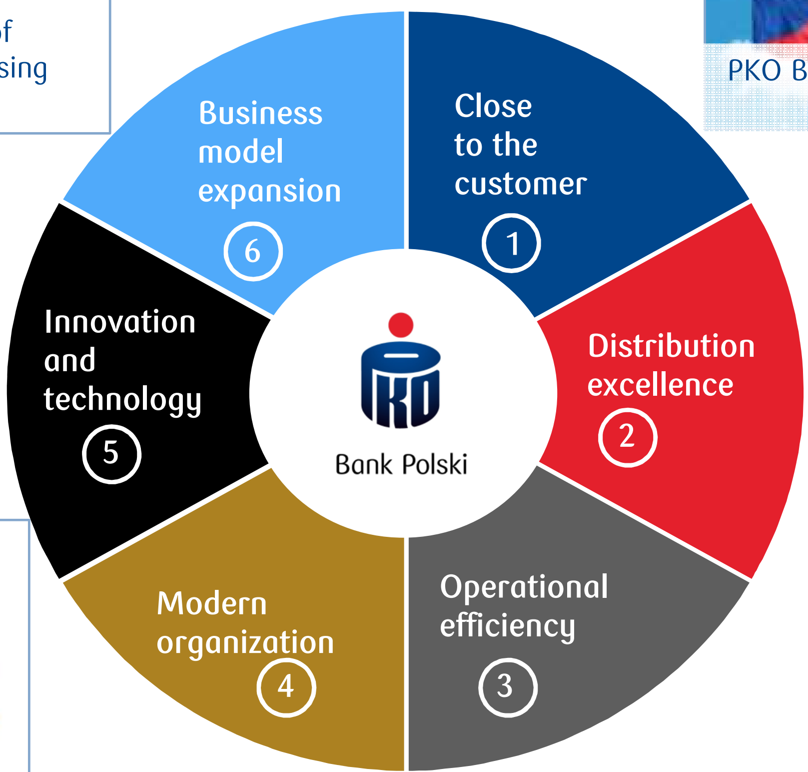
Leasing
Raiffeisen LEASING

Take over of Raiffeisen Leasing

PKO Bank Polski, Czech Branch

ZENCARD
Grupa Kapitałowa PKO Banku Polskiego

Investments in innovation



Million activations of IKO application

profil zaufany

Digital Country

Strategy 2020
„We support the Growth of Poland and Poles"

The strategy of PKO Bank Polski has been based on six levers of sustainable development

We are the technology leader, and we set trends for the banking sector

Bank Polski

The Global Inclusion Awards 2016 for the financial education of children

The educational SKO programme run by the Bank for 80 years has been ranked among the initiatives awarded in the international competition The Global Inclusion Awards 2016. A wide range of innovation and applied solutions has gained appreciation (szkolneblogi.pl platform, an Internet portal for primary school pupils).

PKO Bank Polski launched Poland's first mobile banking application dedicated to the youngest. It is the mobile equivalent of the service PKO Junior, and nearly 200 thousand young customers have access to the same account

2 million of mobile customers – the mobile banking leader

2 million customers log on to iPKO and IKO from mobile devices.

IKO application of mobile banking has fed into the Polish Standard of Payment and BLIK settlement system.

The project "From IKO to BLIK" has been considered the best innovation in the payments world. Currently, BLIK coverage includes approx. 60 per cent. of all customers of domestic financial institutions

Digital Country

As part of the plan for Responsible Development Bank is working closely with government agencies in promoting e-government services that are more convenient for millions of citizens and businesses.

From the Bank's systems, customers can:

- apply for 500+ benefits,
- log in to PUE ZUS (Electronic Services Platform of The Polish Social Insurance Institution),
- create Trusted Profile, which grants access to the administration services via the Internet.

We create a platform for development and support of innovation

Bank Polski

„Let's Fintech with PKO Bank Polski!”

Accelerative programmes

The programme for acceleration of start-ups carried out by the MIT Enterprise Forum Poland in cooperation with leading Polish international organisations, aimed at selecting the best Polish technology start-ups that show relevant business potential.
„Let's Fintech with PKO Bank Polski” programme has gained a grant in ScaleUp competition organized by The Polish Agency for Enterprise Development (PARP) , within the governmental programme Start in Poland

Biometrics in banking

Biometrics

We are engaged in our own research project in cooperation with the Technical University of Gdansk and Microsystem.
The Bank is working on the introduction of the first comprehensive biometric solution in the Polish banking. This technological project aims to develop new ways of authentication: gesture, voice, or scanning pupil.

Investment in start-up

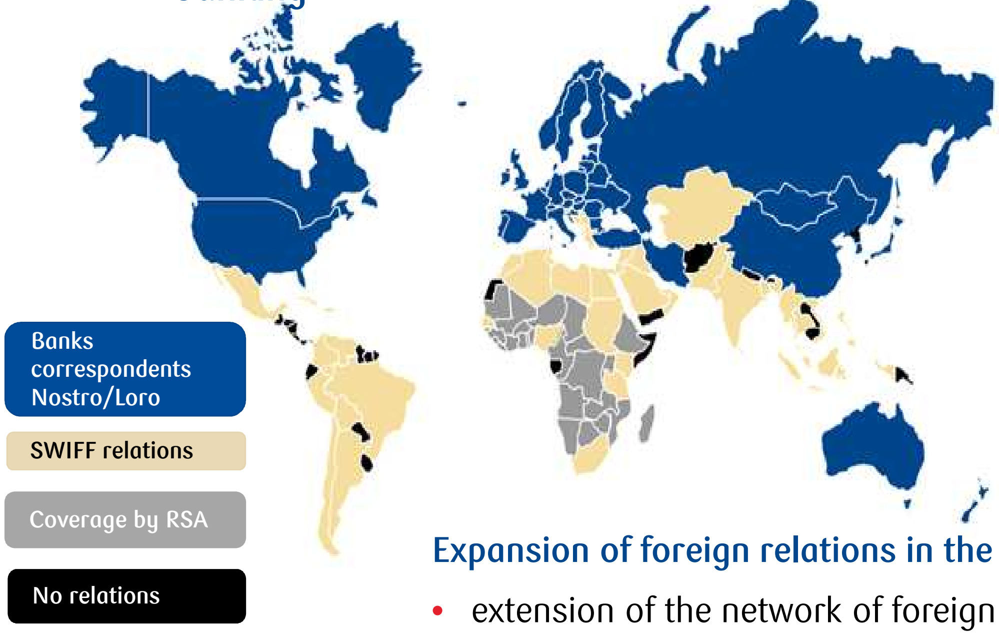
Start-up fintech

The first equity transaction between a large company and start-up.
As a result of the purchase of ZenCard Sp. o.o., the Bank has gained access to technology, through which partners (retail networks, shops, services) will be able to outsource the creation of loyalty programmes and accurately assess the needs of their customers.

We develop the scope of support for Polish companies in their expansion into foreign markets

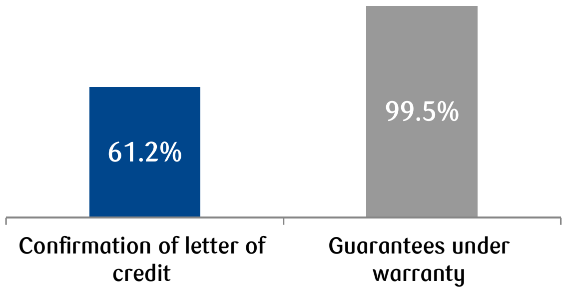
Bank Polski

Cooperation in the field of correspondence banking



Strong development of transactional banking

2016, transaction value, y / y



Expansion of foreign relations in the field of accounting (2016)

- extension of the network of foreign correspondent (22 new LORO accounts and 4 NOSTRO accounts),
- SWIFT key exchange with 72 new foreign banks,
- as the first bank in Poland, we established direct relationships with banks from South Africa, creating a hub for settlement of payments and trade finance with the countries of Sub-Saharan Africa.

Support for Polish companies in foreign expansion

- branch for corporate customers in Frankfurt am Main,
  - significant part in financing the acquisition of the German company by the Polish customer of the Bank,
- in the first half of 2017, branch for corporate customers in the Czech Republic.

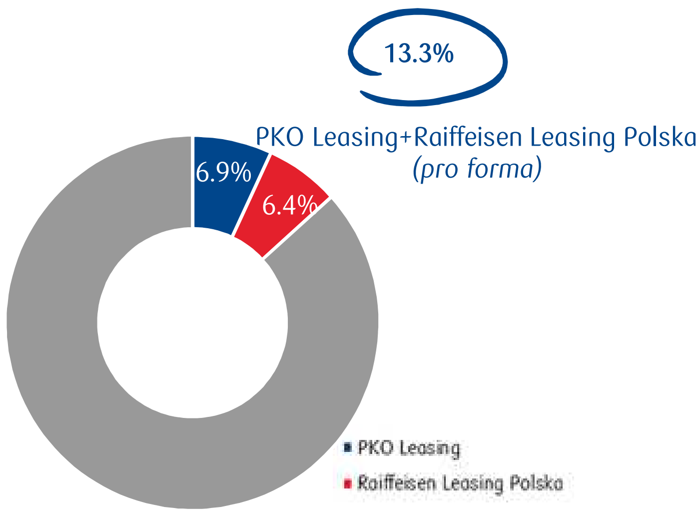
A platform for companies developing export activities – under development

We strengthen the strategic position in the SME segment among others, through the acquisition of Raiffeisen Leasing Poland

Bank Polski

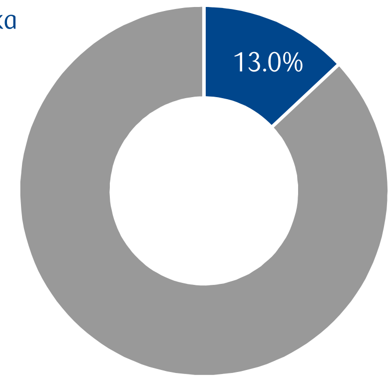
Market share, 2016

Leasing

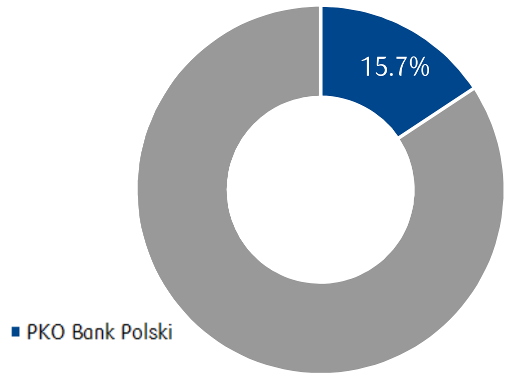


Loans

SME



Private Business



To meet expectations of customers, PKO Bank Polski Group has introduced a new offer of accounts for businesses:

PKO Konto Firmowe for individuals engaged in a sole trader business, professions and farmers, who appreciate financial support of their companies both via modern electronic banking services, as well as through a dedicated advisor in the Bank's branch.

PKO Rachunek dla Biznesu created for businesses with higher requirements; provides access to advanced Internet banking iPKO business and cash-managements services, low costs of transactions conducted via the Internet and other modern banking products and services, including the Internet transfers SEPA with the best price-to-offer ratio on the market.

Standalone data

We have access to innovative technology platform for small and large businesses with the plan for the loyalty programme

Bank Polski

ZENCARD

Grupa Kapitałowa PKO Banku Polskiego

New possibilities:

- Virtualisation of loyalty card at any card payment
- New loyalty programmes
- Purchase analysis
- Omnichannel (customer identification and uniform action in stores)
- Automation of settlements and geo-targetting
- Automatic cross-campaigns

Grand Prix
Innovation Ad
Best Startup Changing Marketing & Sales
2015

Grand Prix
Best Startup of Visegrad Group Silicon Valley
2015

Innovation of the Year
Poland & CEE Loyalty Summit
2015

MasterCard Start Path
Alumni
2015

Selected business initiatives in the fourth quarter of 2016

Bank Polski

Leasing

Purchase of Raiffeisen-Leasing Polska by PKO Leasing

The purchase of 100 percent of Raiffeisen-Leasing Polska shares from Raiffeisen Bank International by PKO Leasing has been finalised. By combining the two companies, PKO Leasing will become the industry leader with a market share exceeding 13 percent. The transaction was financed with own funds of PKO Bank Polski and will have an impact on the capital ratios of the Bank and the Group.

Permit of Czech supervisory authorities for the opening of PKO Bank Polski, Czech Branch

Following two months of transmission of the notification to the Czech supervisory authorities, the Bank received approval to start operation of the Czech Branch by PKO Bank Polski. The branch is to open in the first half of 2017, and its business will focus on serving corporate customers, similar to the business of the corporate branch in Frankfurt.

Bank Hipoteczny

The debut of PKO Bank Hipoteczny mortgage bonds in the international market

PKO Bank Hipoteczny issued 500 million euro worth bonds with a maturity of 5 years and 8 months with fixed yields for their purchasers in the amount of 0.178 percent. In the process of building a demand book, 90 investors made a declaration of purchase for a total amount of approx. 1.5 billion euro. Among the institutions which will acquire mortgage bonds, there are investors from 18 countries.

Million activations of IKO application

PKO Bank Polski's IKO application has reached a scale unprecedented in the Polish banking market - a million activations.

Upon crossing this threshold, the Bank has offered new features to IKO users: by way of illustration, possibility of making deposits in cash deposit machine with BLIK code, a new menu to reach application features faster, possibility of logging with a fingerprint in the Android app and easy payments in the account with QR codes

Over PLN 200 billion loans in the portfolio – PKO Bank Polski group is a leader in the sector

In 2016 Q4, the volume of loans of PKO Bank Polski Group exceeded PLN 200 billion, most of which are mortgage loans. Steady growth of portfolio volume coincides with quality improvement. Continuation of the sustainable growth of lending is the main goal for 2017.

Over 55 thousand Trusted Profiles in PKO Bank Polski

9 thousand Trusted Profiles were created at bank transactional sites within the first three days of launching the services. PKO Bank Polski has been the first bank to offer this opportunity to customers. This is a breakthrough in supporting e-government services and significant convenience for millions of citizens and businesses. A trusted profile facilitates online access to the state administration, as convenient. Currently the Profiles are used by over 55 thousand Bank's customers.

Dom Maklerski

PKO Bank Brokerage House - leader of the National Survey of Investors in 2016

New SUPER IKE account facilitates making investments both in instruments listed on the Warsaw Stock Exchange and Treasury bonds, it is a unique offer on the Polish market.

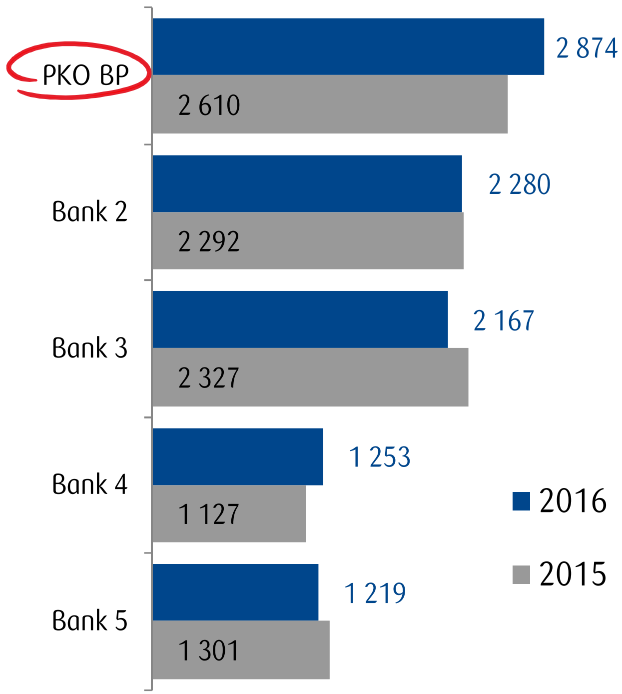
PKO Brokerage House is building a leading position in the market. It has become the leader of the National Survey of Investors in 2016 – thanks to professionalism of the staff, trading platform, the quality of analysis and educational offer, that gained a widespread appreciation.

We have developed the highest net profit in the financial sector (21% of the profit of the banking sector), and have remained the leader in terms of assets (~ 17% of banking sector assets)

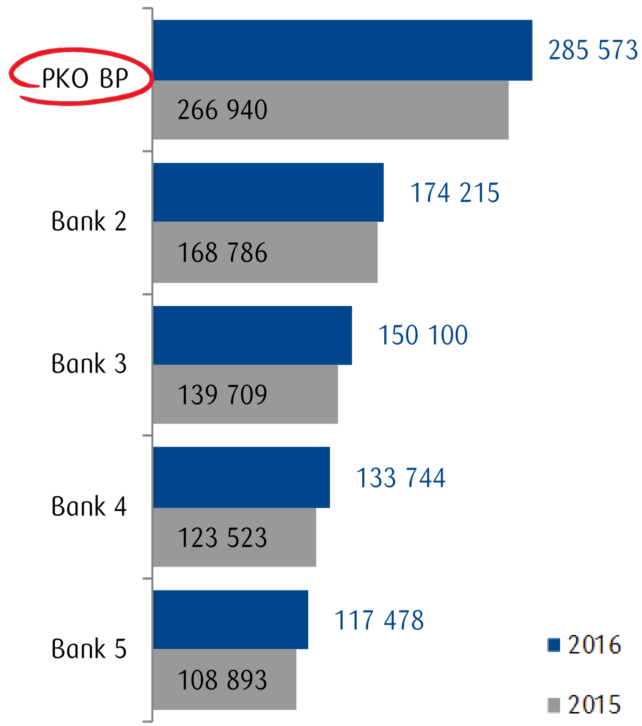
Bank Polski

Net profit

(PLN mio)



Assets



consolidated data

Key financial data

Bank Polski

Increase in net profit	Net profit generated in 2016 amounted to PLN 2.9 billion and was higher by 10.1% as compared to 2015
Increase in revenues	Consolidated result on business activity in 2016 amounted to PLN 11.8 billion (+ 10.6 % y / y), mainly due to the increase in net interest income of 10.3 % y / y and the net other income 70.9%
Efficient operations	Cost to income ratio (C / I) in 2016 of 47.4% Return on equity (ROE) of 11.7%* Return on assets (ROA) of 1.4%*
Sound capital position	The ratio of loans to stable sources of financing of 83.7% The total capital ratio of 15.81% and Tier1 capital ratio of 14.51% (for the Bank respectively: 17.19% and 15.83%)
Adoption of the Strategy for the years 2016-2020	The new strategy for the years 2016-2020 in the perspective of 2020, assumes, by way of illustration: ROE above 10%, decrease in the C / I ratio to below 45%, maintenance of risk cost in the range of 75-85 bps.

* Excluding bank tax

Financial summary

Bank Polski

		4Q'16	4Q'15	Change y/y	Q4'16	Q3'16	Change q/q
P&L items (PLN mn)	Net interest income	7 755	7 029	+10.3%	2 021	1 971	+2.5%
	Net F&C income	2 693	2 851	-5.5%	705	686	+2.7%
	Result on business activity	11 791	10 665	+10.6%	2 917	3 041	-4.1%
	Administrative expenses	-5 590	-6 036	-7.4%	-1 456	-1 378	+5.7%
	Net impairment allowance	-1 623	-1 476	+9.9%	-421	-419	+0.5%
	Bank tax	-829	_	x	-234	-225	+3.9%
	Net profit	2 874	2 610	+10.1%	593	769	-22.8%
Balance sheet (PLN bn)	Assets	285.6	266.9	+7.0%	285.6	275.6	+3.6%
	Net loans	200.6	190.4	+5.4%	200.6	193.2	+3.8%
	Deposits	205.1	195.8	+4.8%	205.1	201.2	+1.9%
	Stable financial resources	239.7	224.1	+6.9%	239.7	230.7	+3.9%
	Total equity	32.6	30.3	+7.6%	32.6	32.3	+0.8%

Key performance indicators

Bank Polski

		4Q'16	4Q'15	Change y/y	Q4'16[4]	Q3'16[4]	Change q/q
Key financial indicators	ROE net (%)	9.1	9.0	+0.1 pp.	7.3	9.6	-2.3 pp.
	ROE net (%) excluding bank tax	11.7	9.0	+2.7 pp.	10.1	12.4	-2.2 pp.
	ROA net (%)	1.1	1.0	+0.0 pp.	0.8	1.1	-0.3 pp.
	ROA net (%) excluding bank tax	1.4	1.0	+0.3 pp.	1.2	1.4	-0.3 pp.
	C/I (%)	54.4	56.6	-2.2 pp.	57.9	52.7	+5.2 pp.
	C/I (%) excluding bank tax	47.4	56.6	-9.2 pp.	49.9	45.3	+4.6 pp.
	NIM[1] (%)	3.15	3.04	+0.11 pp.	3.18	3.17	+0.01 pp.
Quality of loan portfolio	NPL ratio[2] (%)	5.9	6.6	-0.69 pp.	5.9	6.2	-0.3 pp.
	Coverage ratio[3] (%)	65.5	63.3	+2.2 pp.	65.5	65.3	+0.2 pp.
	Cost of risk (bp.)	75	72	+2 bp.	81	74	+7 bp.
Capital position	TCR (%)	15.81	14.61	+1.20 pp.	15.81	16.00	-0.20 pp.
	Tier 1 capital ratio (%)	14.51	13.27	+1.25 pp.	14.51	14.65	-0.14 pp.

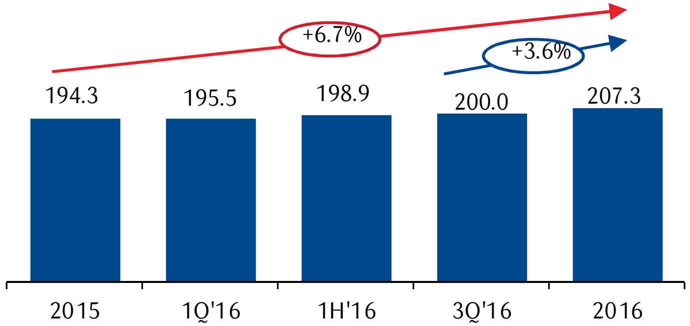
(1) Net interest margin = net interest income of last 4 quarters / average interest bearing assets at the beginning and the end of the period of last 4 quarters (formula consistent with that applied in the PKO Bank Polski Group Directors' Report)
(2) Share of loans with recognised impairment in total gross loans
(3) Coverage of loans with recognised impairment with impairment allowances
(4) Ratios on quarterly basis; ROE, ROA, NIM and cost of risk – annualised

Business volumes – trends by bussiness lines

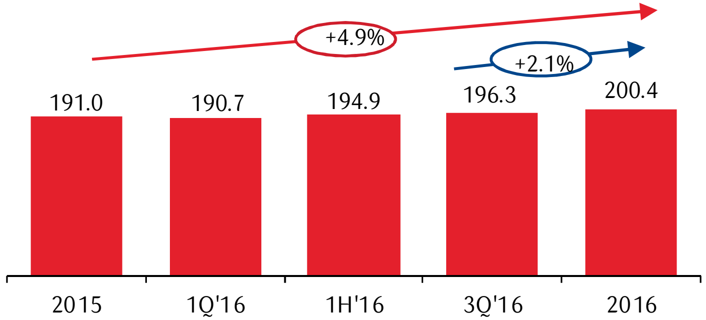
Dynamic growth of volumes of deposits and gross loans

Bank Polski

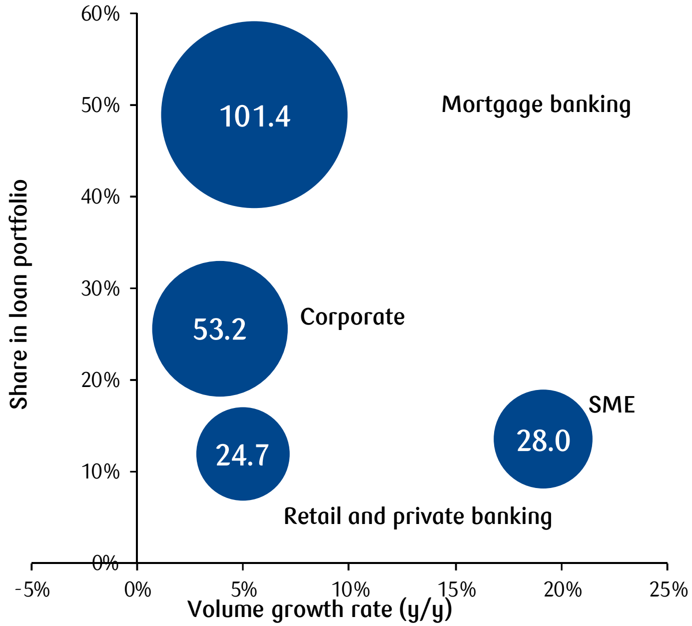
Gross loans – sum of business lines (PLN bn)



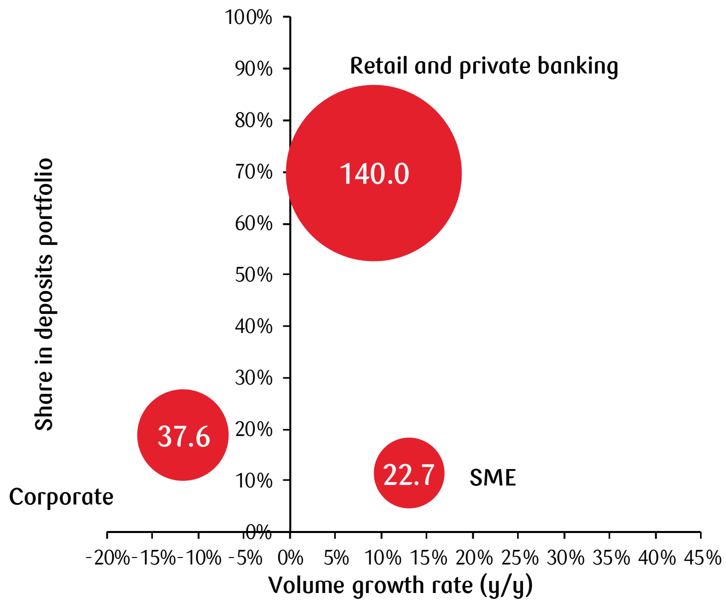
Customer deposits - sum of business lines (PLN bn)



Gross loans by business line as at 31/12/2016



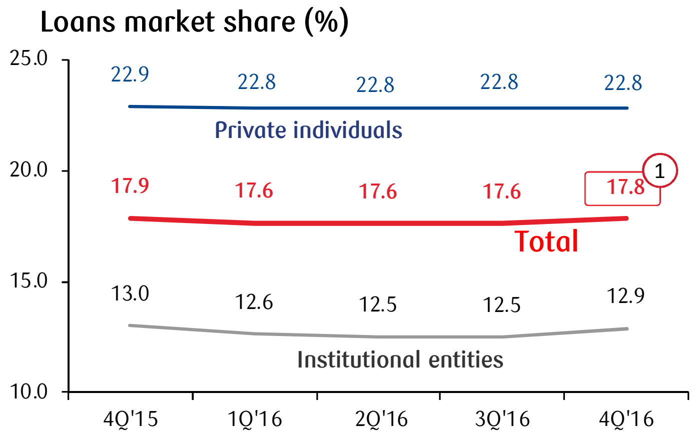
Customer deposits by business line as at 31/12/2016

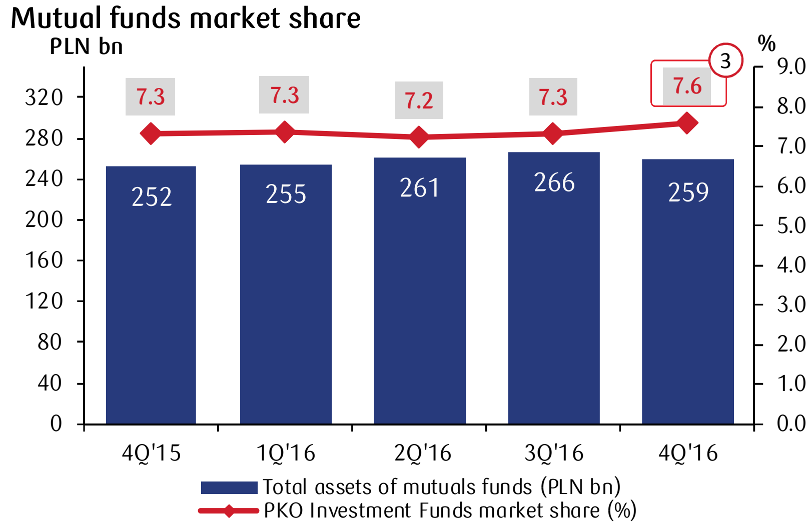


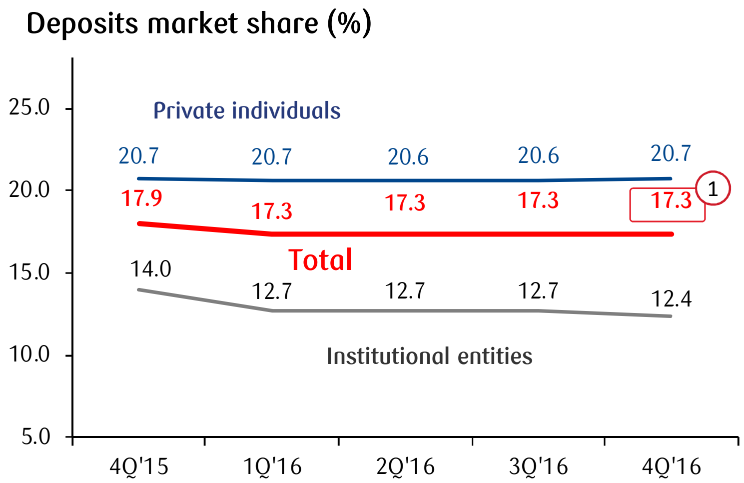
PKO Bank Polski market share

Maintenance of the leading share in the deposits and loans market

Bank Polski







1

In comparison to the third quarter of 2016 an increase in market share in loans, mainly due to an increase in the share of loans to institutional entities. Maintenance of a high share in the deposits and loans market in a competitive domestic banking market , as compared to the previous year.

2016 macroeconomic and banking sector outlook

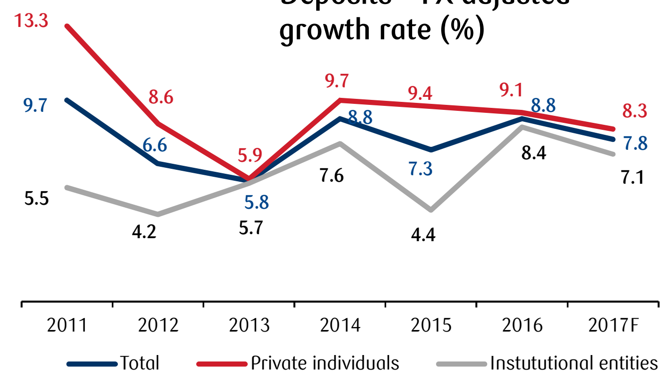
Bank Polski

		2013	2014	2015	2016	2017F
GDP	% y/y	1.4	3.3	3.9	2.8	3.2
Consumption	% y/y	0.3	2.6	3.2	3.6	3.8
Investments	% y/y	-1.1	10.0	6.1	-5.5	4.7
Fiscal deficit[1)]	% GDP	-4.1	-3.4	-2.6	-2.8	-2.8
Public debt[2)]	% GDP	53.3	48.1	48.8	50.1	50.0
CPI	%	0.9	0.0	-0.9	-0.6	2.1
Unemployment rate	% eop	13.4	11.4	9.7	8.3	7.2
WIBOR 3M	% eop	2.71	2.06	1.73	1.73	1.73
Reference rate	% eop	2.50	2.00	1.50	1.50	1.50
EURPLN	PLN eop	4.15	4.26	4.26	4.42	4.45
USDPLN	PLN eop	3.01	3.51	3.90	4.18	4.45

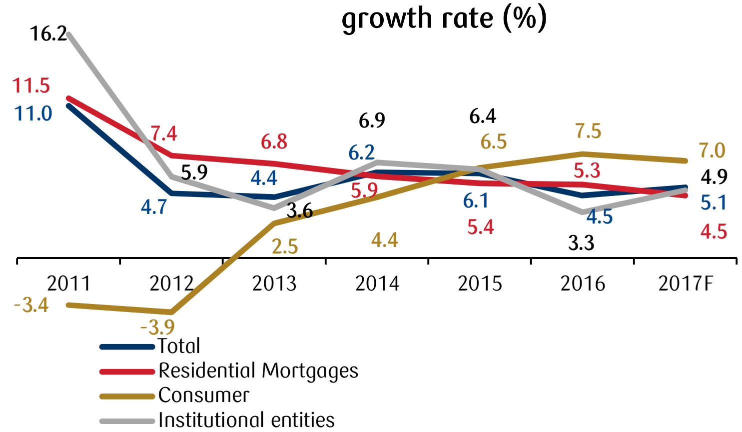
1) ESA2010
2) According to domestic methodology.

Source: Bank's forecasts

Deposits - FX adjusted growth rate (%)



Loans- FX adjusted growth rate (%)



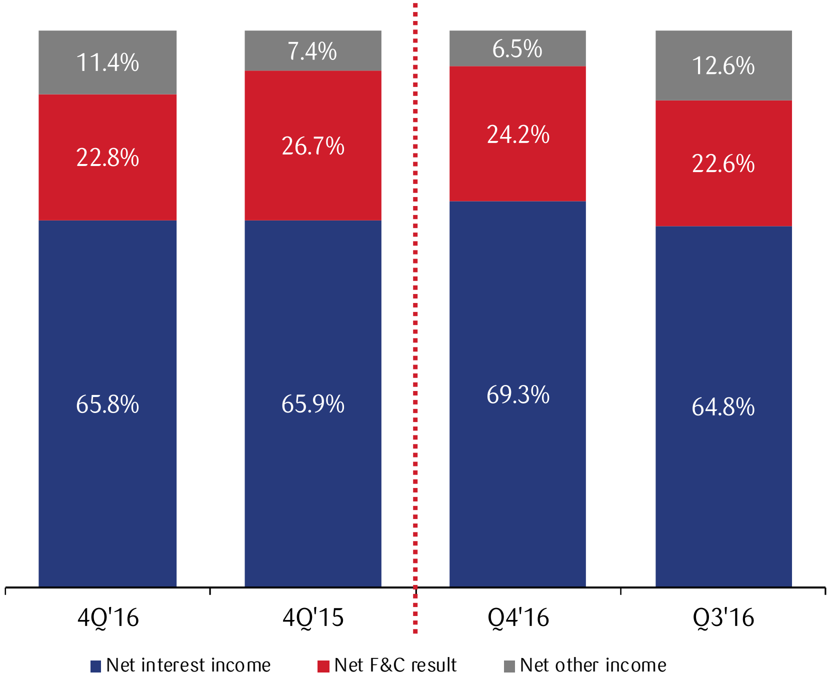
Financial results

Result on business activity

A significant increase in the share of net other income in the structure of result on business activity, mainly due to the settlement of the transaction with Visa and sales of selected properties and entities from the Qualia Development

Bank Polski

Split of result on business activity



PLN mn	4Q'16	4Q'15	Change y/y	Q4'16	Q3'16	Change q/q
Net interest income	7 755	7 029	+10.3%	2 021	1 971	+2.5%
Net F&C result	2 693	2 851	-5.5%	705	686	+2.7%
Net other income	1 343	786	+70.9%	191	384	-50.2%
Result on financial operations and didvidens	521[1)]	139	+274.7%	-8	57	-114.1%
Net FX result	503	369	+36.4%	152	148	+3.1%
Net other operating income	319	278	+14.8%	47	179[2)]	-73.7%
Result on business activity	**11 791**	**10 665**	**+10.6%**	**2 917**	**3 041**	**-4.1%**

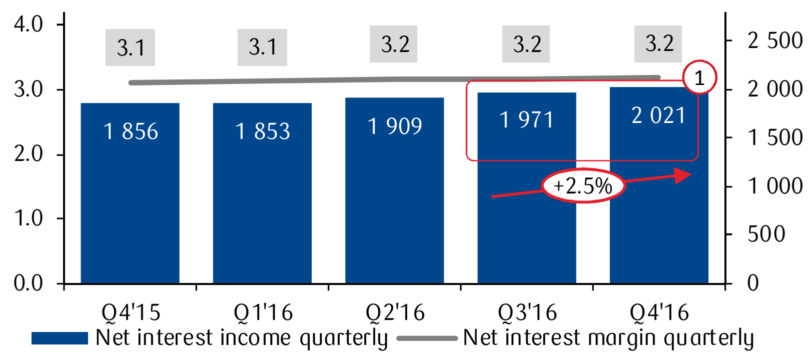
1) In 2Q 2016 the result on investment securities was determined by the settlement of the acquisition of Visa Europe Limited by Visa Inc. As a result of this, PLN 417.6 mn was included in the Bank's result on investment securities.
2) As a result of two sales transactions in Q3 2016 of the Qualia Development Sp z. o.o. company and its subsidiaries assets. In this respect, net additional revenue of about PLN 114 million was recognized in other operating income and expense of the Group.

Net interest income (1)

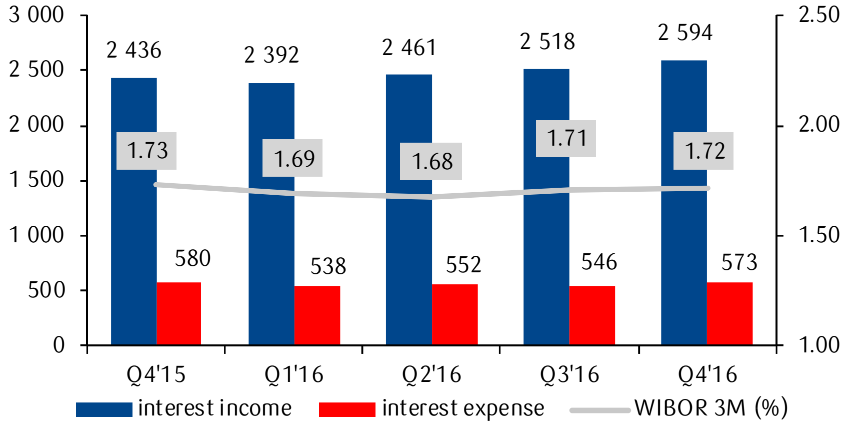
Consequent recovery of net interest income mainly thanks to an increase in interes income

Bank Polski

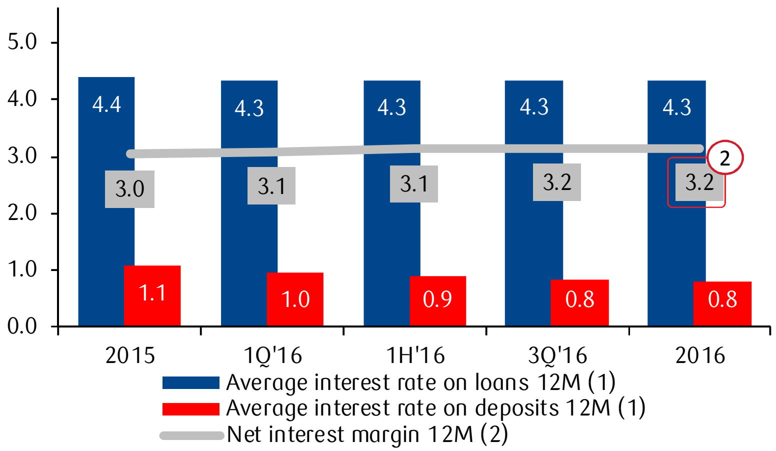
Net interest income (PLN mn)



Interest income and expense (PLN mn) and WIBOR 3M average in the period



Net Interest margin and average interest rates on loans and deposits (%)



1

In 2016 net interest income was PLN 726.2 million higher than last year, i.e. increased by 10.3% y/y. The improvement in the net interest resulted from an increase in revenue connected with an increase in the loan portfolio and securities portfolio, as well as a significant reduction in financing costs.

2

The interest margin increase by approx. 0.2 p.p. y/y to 3.2% at the end of 2016. Average interest-earning assets increased by 6.3% y/y (mainly the portfolio of amounts due from customers and the securities portfolio).

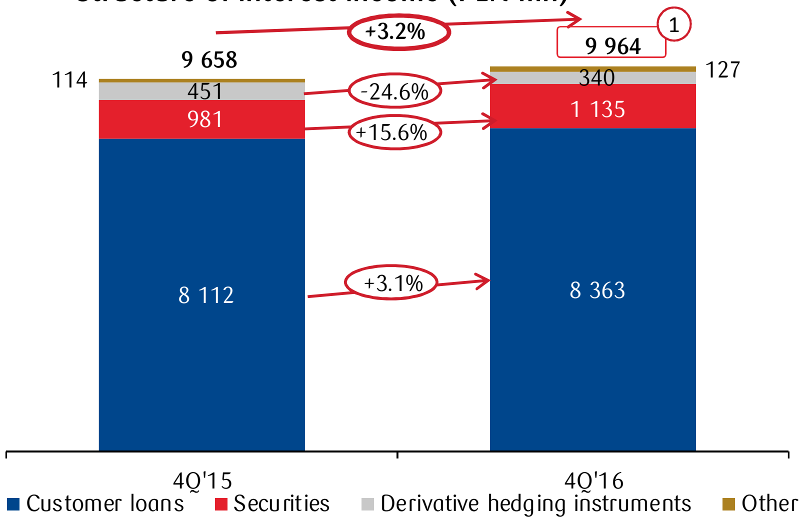
(1) Interest income (expense) for last 4 quarters / average net loans (deposits) at the beginning and the end of the period of last 4 quarters
(2) Net Interest income for last 4 quarters / average interest bearing assets at the beginning and the end of the period of last 4 quarters (formula consistent with that applied in the PKO Bank Polski Group Directors' Report)

Net interest income (2)

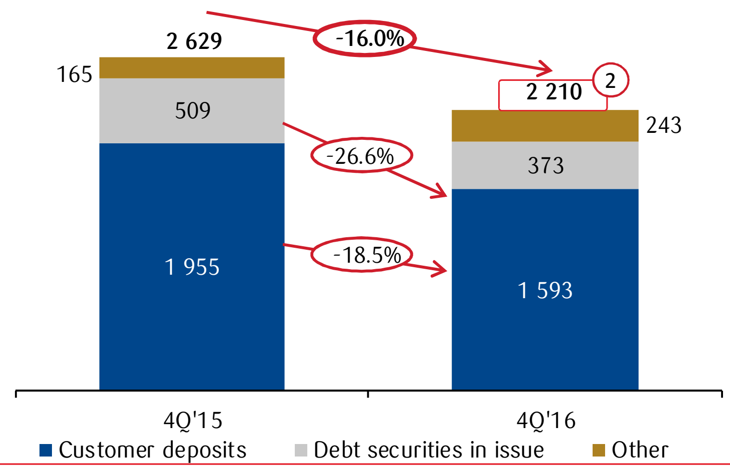
A significant decrease in interest expense as a result of and the expiry of long-term depositsand lower costs of external financing

Bank Polski

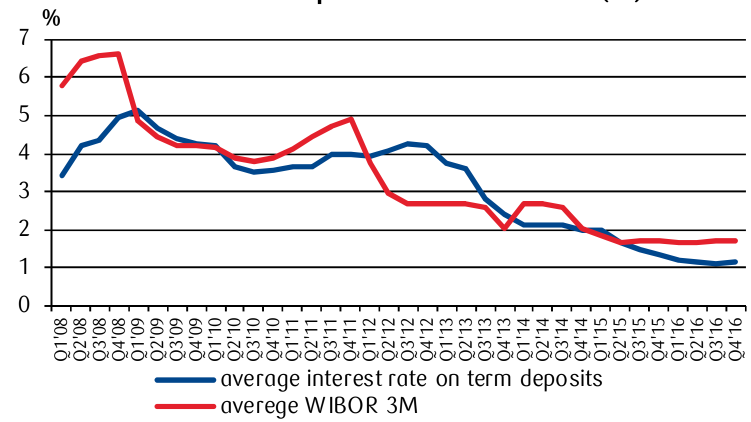
Structure of interest income (PLN mn)



Structure of interest expense (PLN mn)



Interest rates on term deposits vs. WIBOR 3M (%)



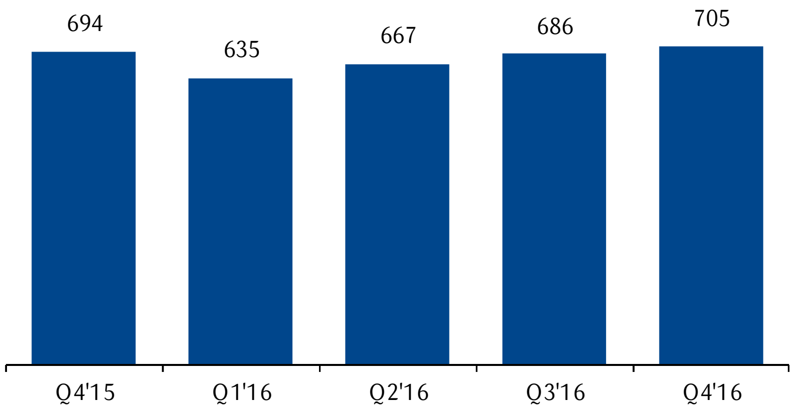
1. Interest income in 2016 increased by 3.2 y/y, i.e. was higher by PLN 306.6 million, which is mainly the result of growth:
   - income from loans and advances to customers. The drop in income resulting from the drop in market interest rates for PLN and EUR was fully offset by an increase in the average volume of loan receivables, mainly housing and consumer loans,
   - income from securities determined by an increase in the average volume of securities (mainly Treasury Bonds),
   - with a decrease in income from hedging derivatives, mainly due to IRS transactions in PLN matured in 2016.

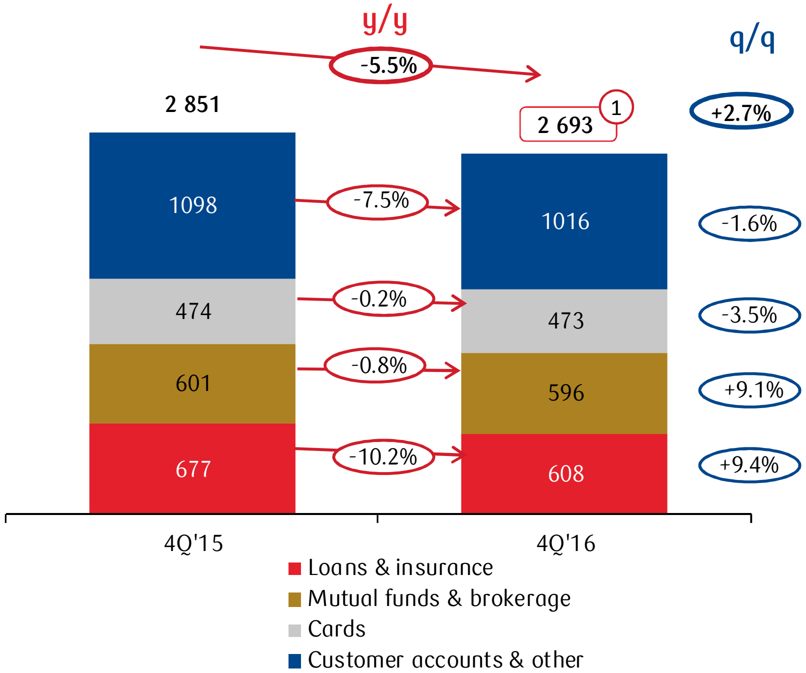
2. Interest costs in 2016 was lower by 16.0% y/y, which is mainly the result:
   - a decrease in the cost of liabilities to customers
   - lower costs of external financing y/y, which was determined by a drop in the level of bonds issued under the EMTN programme, which are gradually replaced with cheaper financing in the form of mortgage bonds.

Net fee & commission income

Continiued q/q increase in net fee and commission income

Net fee and commission income (PLN mn)





1

The level of net fee and commission income in 2016 compared to the previous year was mainly affected by:

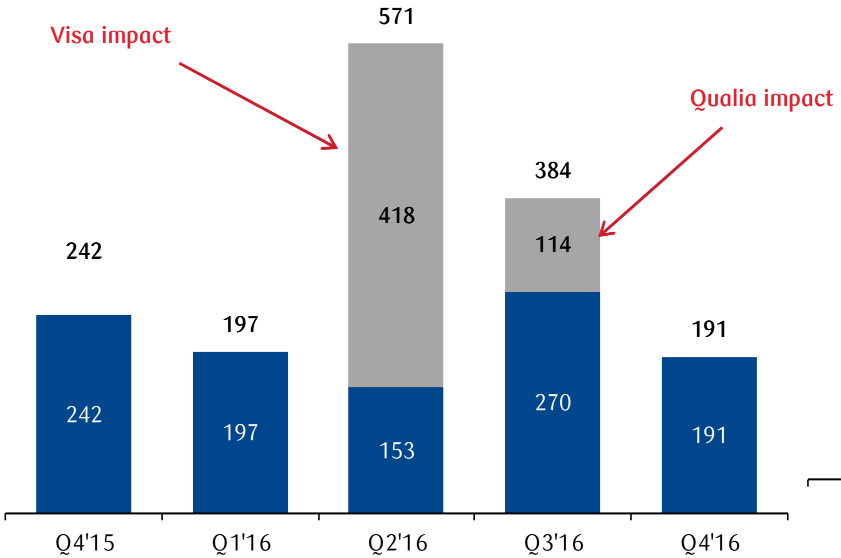
- effect of high reference base of income on payment cards, in 2015 the Bank received bonuses from payment organizations due to renegotiation of agreements with them,
- increase in sales of insurance products offered by the PKO Group, the results of which are presented in categories: the remaining result of the insurance business,
- a decrease in income from brokerage activities due to a decrease in the commissions on bond issue arrangement.

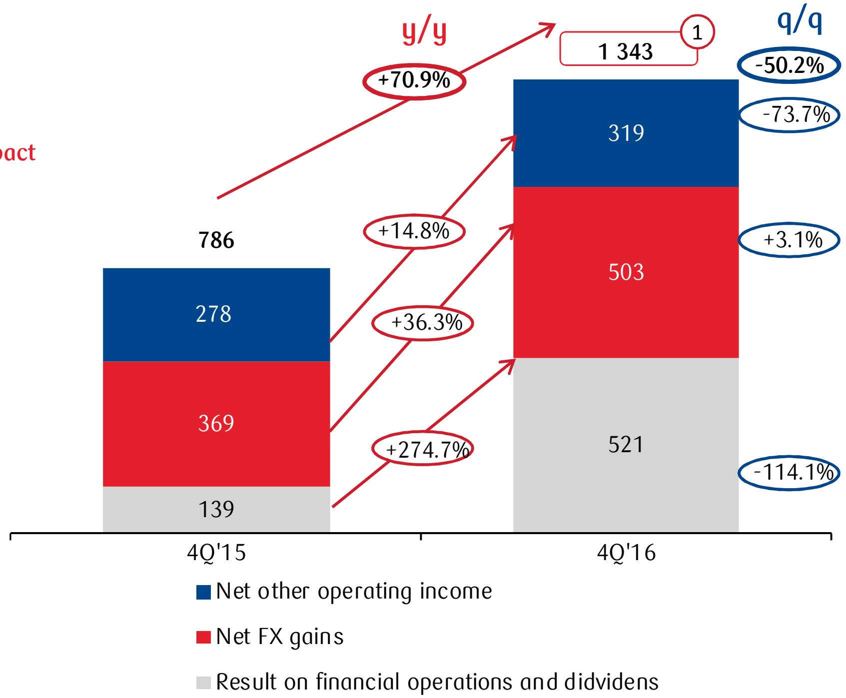
Net other income

A significant increase in net other income, supported by income from the Visa transaction and net FX gains

Bank Polski

Net other income (PLN mn)





1 In 2016 other income increased by PLN 557.0 million compared to the previous year and was mainly determined by the following:

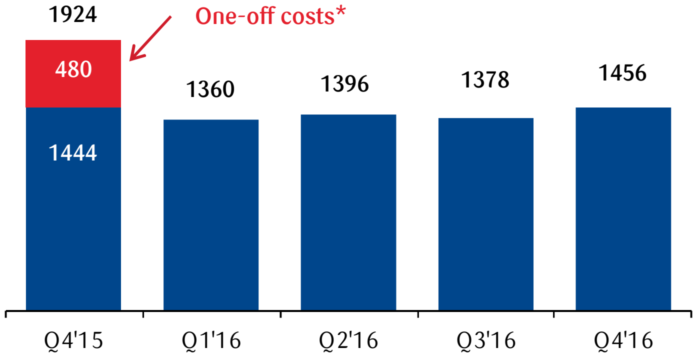
- an increase in gains less losses on investment securities of PLN 418.4 million y/y, which was caused by the settlement, in June 2016, of the acquisition of Visa Europe Limited by Visa Inc., in which PKO Bank Polski SA participated; the Bank recognized PLN 417.6 million in this respect,
- an increase in net foreign exchange gains (losses) by PLN 134.2 million, connected mainly with an increase in customer interest in structured deposits based on exchange rate indices,
- an increase in net other operating income of PLN 40.0 million, mainly in consequence of two sales transactions in the third quarter of 2016 of the assets of Qualia Development and its subsidiaries; in this respect the Group recognized additional income of approx. PLN 114 million in other operating income and expenses, given the adverse effect of higher costs of donations.
- accompanied by the result on instruments measured at fair value lower by PLN 36.2 million in total, in consequence of the situation on the Polish debt market, in particular the revaluation of Treasury bonds observed at the end of 2016.

Administrative expenses

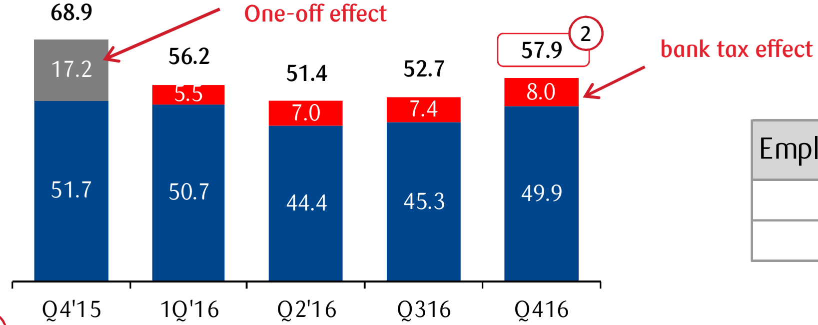
Maintaining high efficiency despite increasing regulatory burden

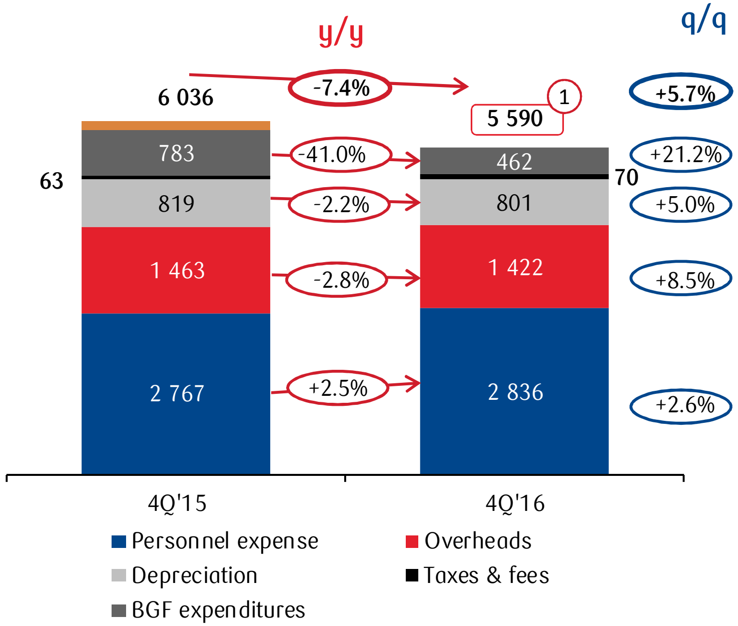
Bank Polski

Administrative expenses (PLN mn)



C/I ratio quarterly





Employment eop (FTEs)	4Q'15	4Q'16	Change y/y FTEs	Change y/y %
Bank	25 909	25 381	-529	-2.0%
Group	29 221	29 441	220	0.8%

1 In 2016, administrative expenses was lower by 7.4% compared to the same period of previous year. After eliminating the one-off events that occurred in 2015 (the BGF payment to the guaranteed funds protection fund of PLN 337.9 million and payment to the Borrowers' Support Fund of PLN 142.0 million), general administrative expenses were 0.6% higher than in the previous year. Their amount was mainly determined by an increase in the costs of employee benefits, which was accompanied by a decrease in material costs and a decrease in amortization and depreciation.

2 The effectiveness of the PKO Group measured with C/I ratio on a quarterly basis was 57.9%, C/I (without banking tax) was 49.9% compared to 51.7% realized in Q4 2015. C/I ratio in annual terms amounted to 47.4%.

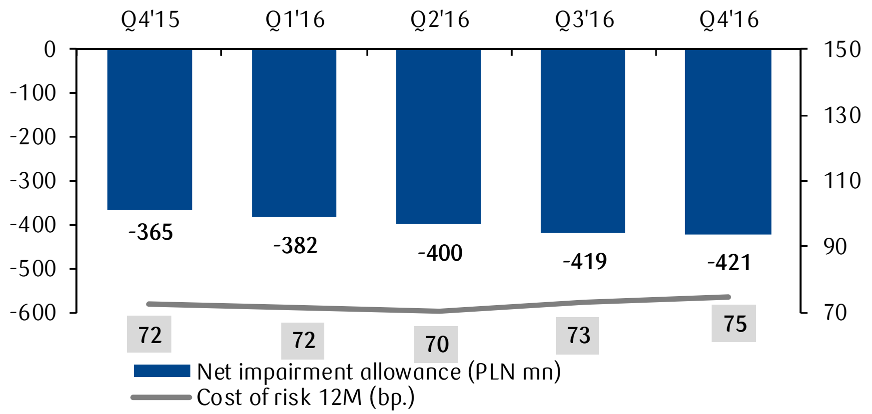
*one-off costs incurred in Q4 2015 in the amount of PLN 479.9 mn (PLN 337.9 mn charge for BFG in connection with the bankruptcy SK Bank and PLN 142.0 mn payment to the Borrower Support Fund)

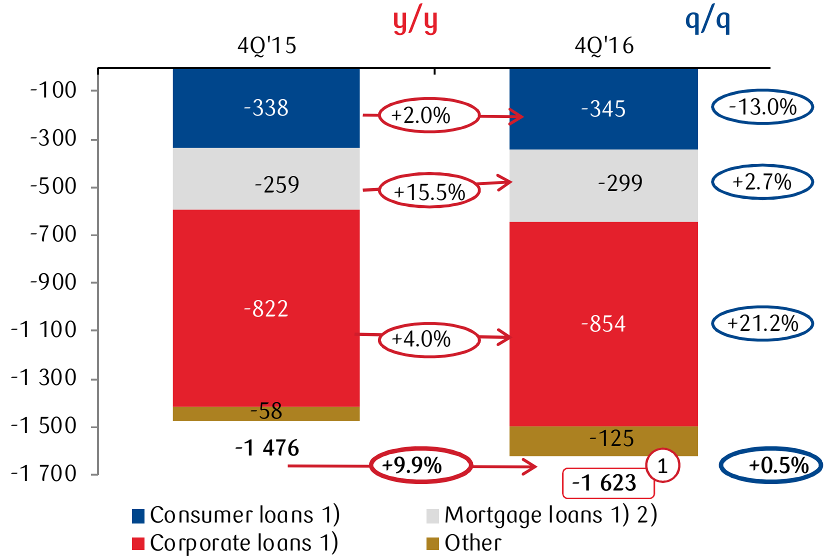
Net impairment allowance

On a year-to-year basis - improvement in share of loans with recognised impairment and deterioration in net impairment allowance

Bank Polski

Net impairment allowance and write-offs (PLN mn)





Share of loans with recognised impairment[3)]

	4Q'15	4Q'16	Change y/y
Consumer loans	8.5%	7.5%	-1.0 pp.
Mortgage loans	2.7%	2.5%	-0.2 pp.
PLN	2.2%	1.9%	-0.3 pp.
FX	3.5%	3.8%	+0.3 pp.
Corporate loans	10.8%	9.4%	-1.4 pp.
Total	**6.6%**	**5.9%**	**-0.7 pp.**

1

The share of loans with recognized impairment as at the end of 2016 amounted to 5.9% (a decrease of 0.7 p.p. in relation to 2015). The improvement was due to an improvement in the quality of business loans and the consistent policy of selling irregular receivables
The net write-downs deteriorated (9.9% y/y) due to an increase in write-downs recorded by the Bank on corporate customer portfolios.

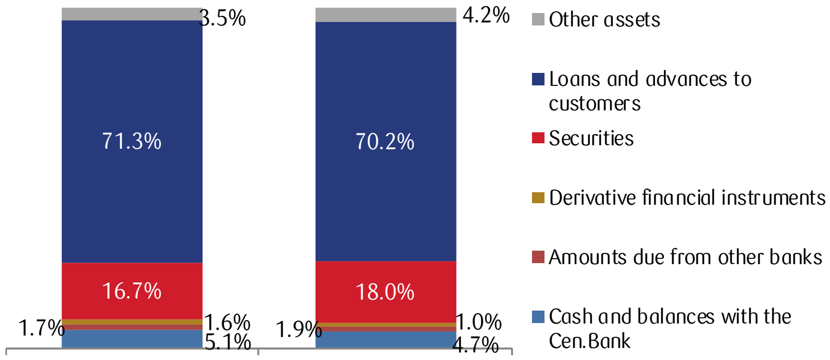
(1) management accounts data (2) Housing loans to individuals
(3) Calculated by dividing the gross carrying amount of impaired loans and advances to customers by the gross carrying amount of loans and advances to customers

Consolidated statement of financial position

Safe structure of the balance sheet has been maintained

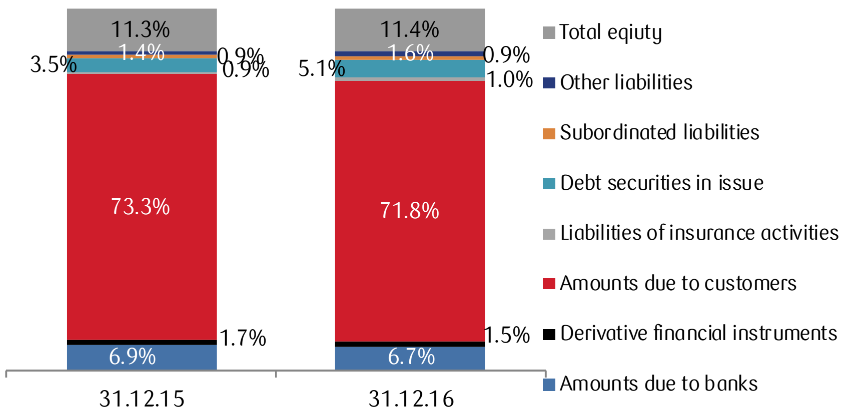
Bank Polski

Total assets



PLN bn	31.12.15	31.12.16	Change y/y
Cash and balances with the Cen.Bank	13.7	13.3	-3.0%
Amounts due from other banks	4.6	5.3	+17.4%
Derivative financial instruments	4.3	2.9	-33.3%
Securities	44.5	51.4	+15.6%
Loans and advances to customers	190.4	200.6	+5.4%
Other assets	9.4	12.0	+27.2%
Total assets	**266.9**	**285.6**	**+7.0%**

Total equity and liabilities



PLN bn	31.12.15	31.12.16	Change y/y
Amounts due to banks	18.3	19.2	+5.0%
Derivative financial instruments	4.6	4.2	-9.2%
Amounts due to customers	195.8	205.1	+4.8%
Liabilities of insurance activities	2.4	2.9	+22.6%
Debt securities in issue	9.4	14.5	+53.6%
Subordinated liabilities	2.5	2.5	+1.6%
Other liabilities	3.7	4.6	+24.1%
Total eqiuty	30.3	32.6	+7.6%
Total eqiuty and liabilities	**266.9**	**285.6**	**+7.0%**

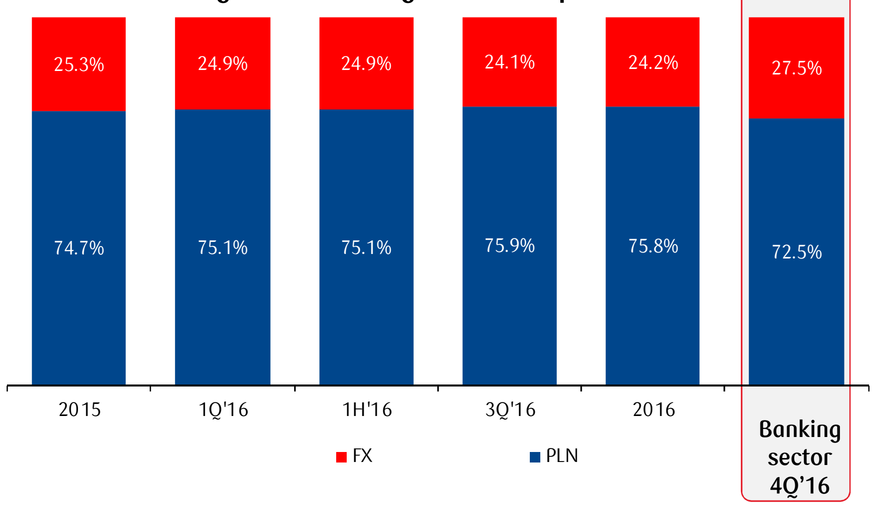
Loans and deposits
Stable growth of the scale of operations

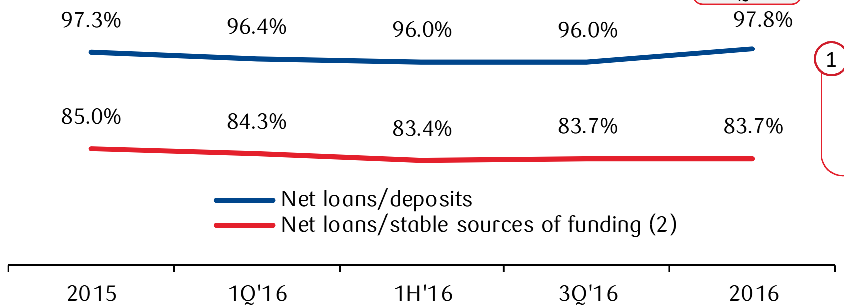
Bank Polski

Gross loans (PLN bn)

2015	1Q'16	1H'16	3Q'16	2016
198.7	196.2	200.0	201.3	208.6

Currency structure of gross loans portfolio

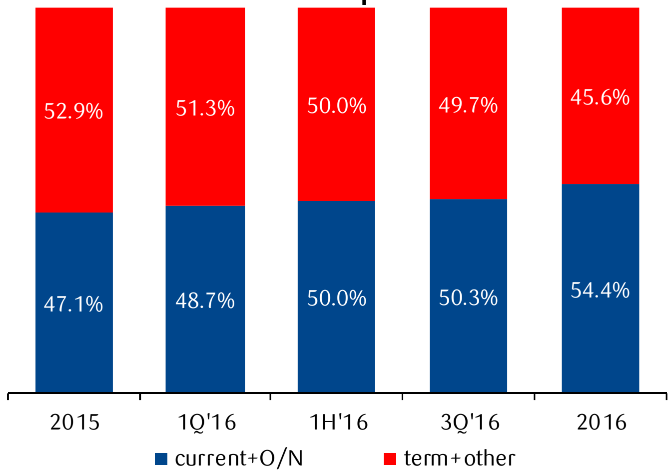




Deposits(1) (PLN bn)

2015	1Q'16	1H'16	3Q'16	2016
195.8	194.9	199.4	201.2	205.1

Term structure of total deposits[1)]



1

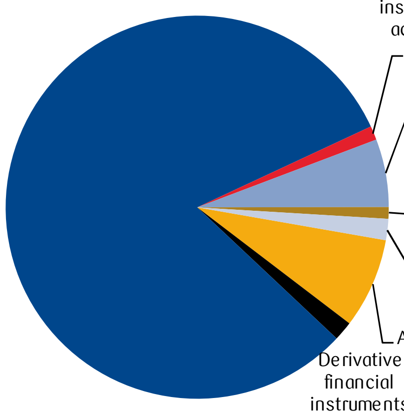
A PLN 9.3 bn increase in the volume of deposits on a year-to-year basis, by (+) 4.8% mainly due to (+) 9.3 % increase in deposits of retail customers.

(1) Amounts due to customers
(2) Amounts due to customers and long-term external funding in the form of: securities issues (including funds raised through issuance under an EMTN programme executed by PKO Finance AB); subordinated debt; and amounts due to financial institutions.

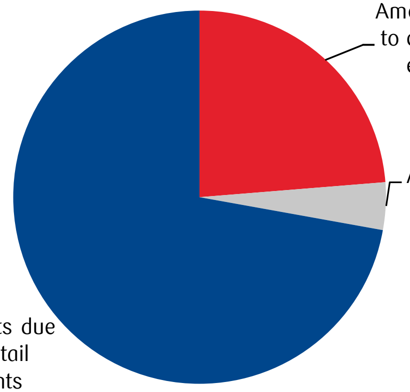
Funding sources
Well-diversified sources of funding

Bank Polski

Liabilities structure
(total as at 31 December 2016: PLN 253.0 bn)



Deposit structure
(total as at 31 December 2016: PLN 205.1 bn)



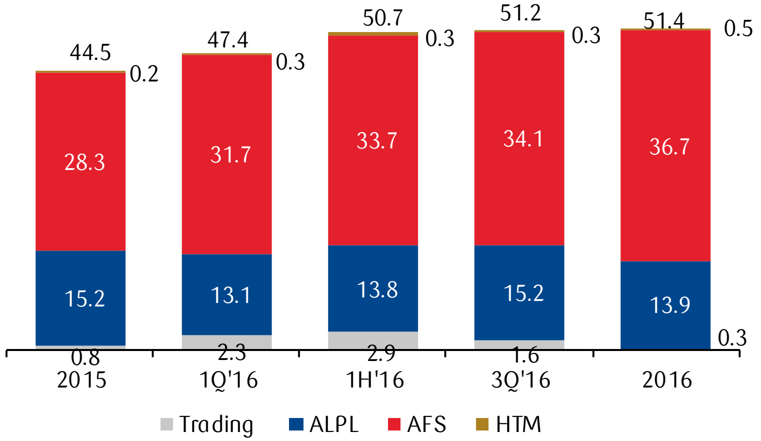
Retail and corporate deposits are the primary funding source.

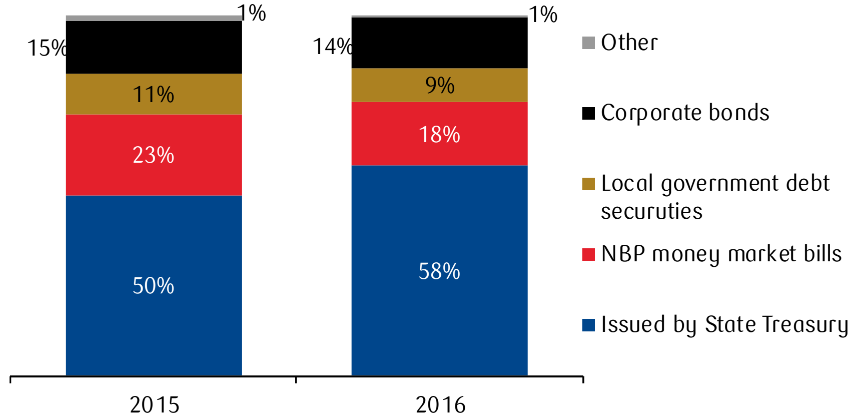
- Financing agreements as at the end of 2016 included:
  - USD 1,000 mn 10Y note issued in September 2012 on the US market under Rule 144A
  - EUR 500 mn 5Y bond issued in January 2014
  - multi-currency (CHF 3,645.8 mn, EUR 465.4 mn and USD 3.7 mn) credit from Nordea Bank AB opened in April 2014
  - CHF 224 mn 10Y subordinated loan opened by Nordea Bank Polska in April 2012
  - PLN 1,600.7 mn 10Y subordinated bond issued in September 2012

  Covered bonds issued by PKO Bank Hipoteczny as at the end of 2016 included:
  - PLN 1,030 mn 5Y covered bonds, issued in December 2015, April 2016, June 2016
  - EUR 500 mn 5.8Y covered bonds issued in October 2016, under Rule S
  - PLN 1,156 mn bond issued in September 2015 under Programme of unsecured bond issuance.

Securities portfolio breakdown

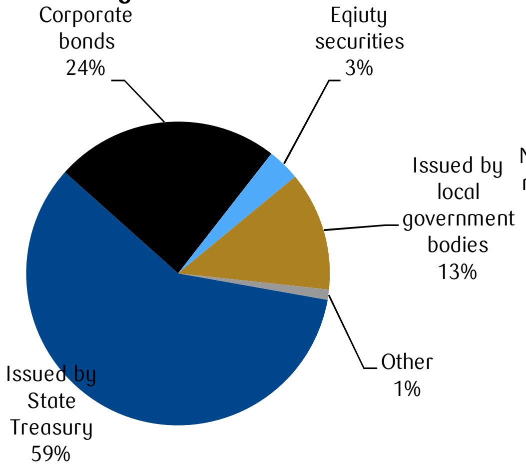
Debt securities issued by the Treasury are predominant in the structure of the portfolio



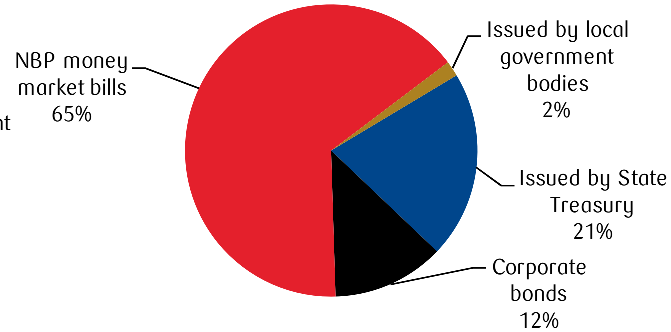


Structure as at 31/12/2016

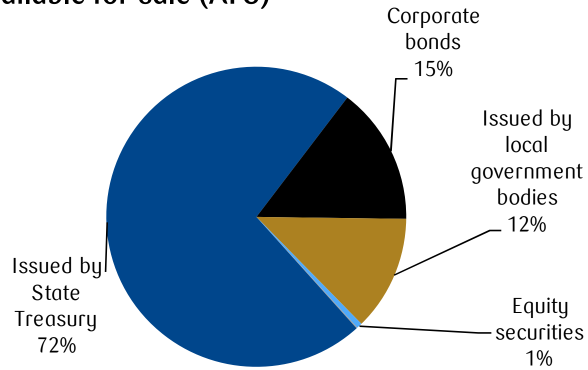
Trading assets



Financial assets designated at fair value through P&L (ALPL)



Investment securities available for sale (AFS)



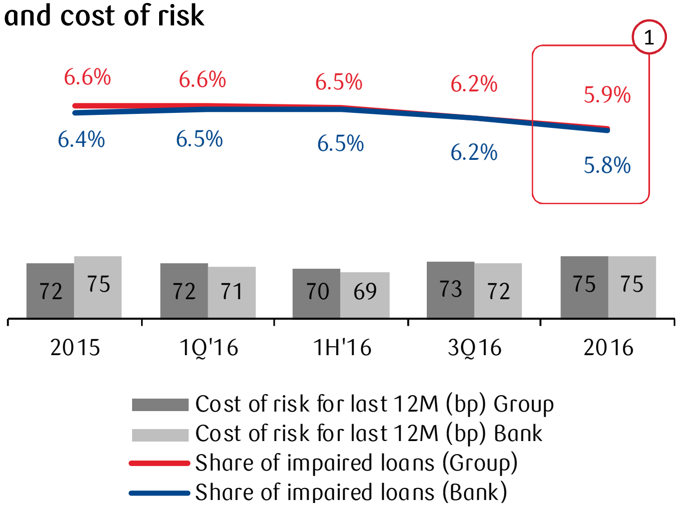
Risk management

Loan portfolio quality

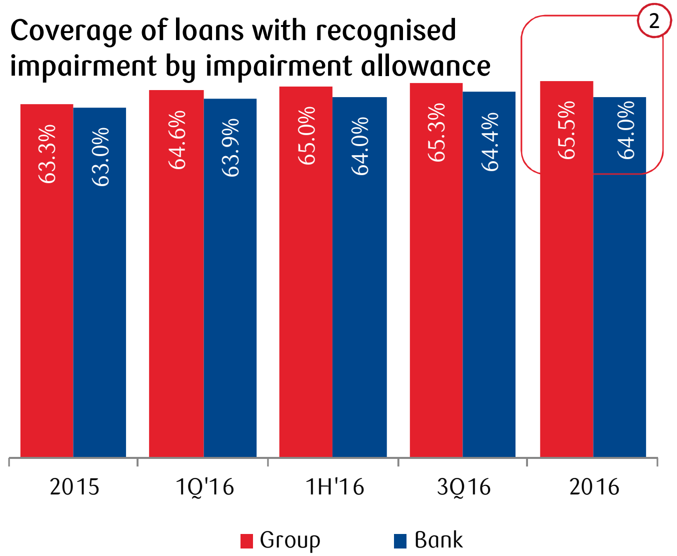
Continued improvement in the loan portfolio quality

Bank Polski

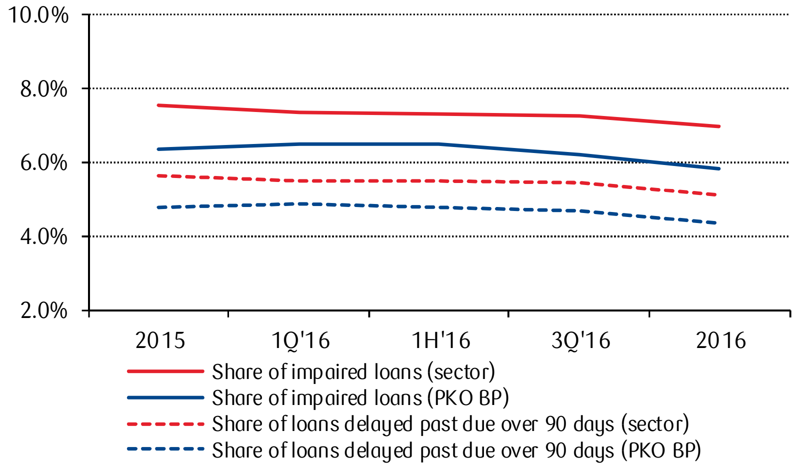
Share of loans with recognised impairment and cost of risk



Coverage of loans with recognised impairment by impairment allowance



Quality of loan portfolio vs. banking sector



Source: Own calculations based on PFSA data for the banking sector.

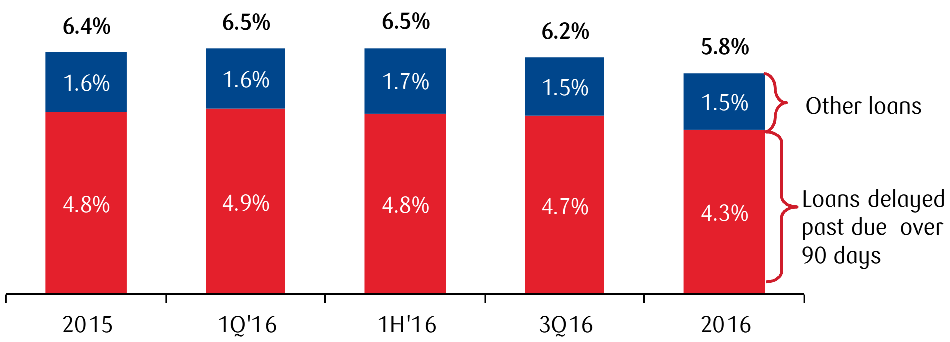
1 Maintenance of the declining trend in the share of loans with recognised impairment had been maintained during 12 months.

2 Coverage of loans with recognised impairment by impairment allowance had been maintained at the level execeding 65% for the Group and 64 % for the Bank.

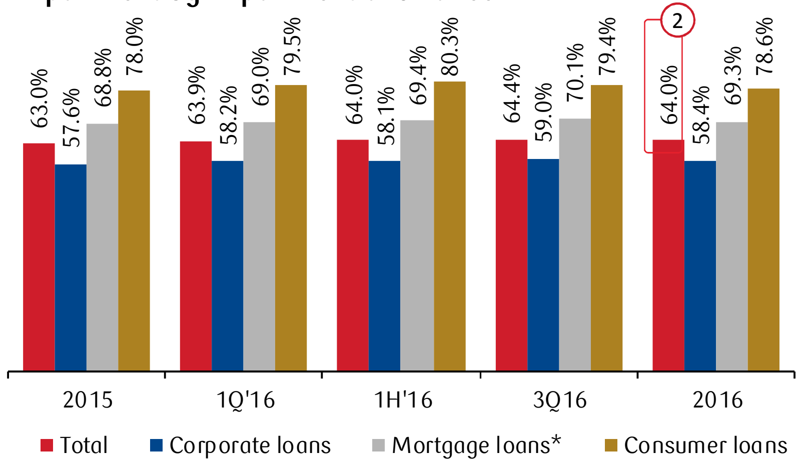
Loan portfolio quality
Record-low level of the share of loans with recognised impairment

Standalone data

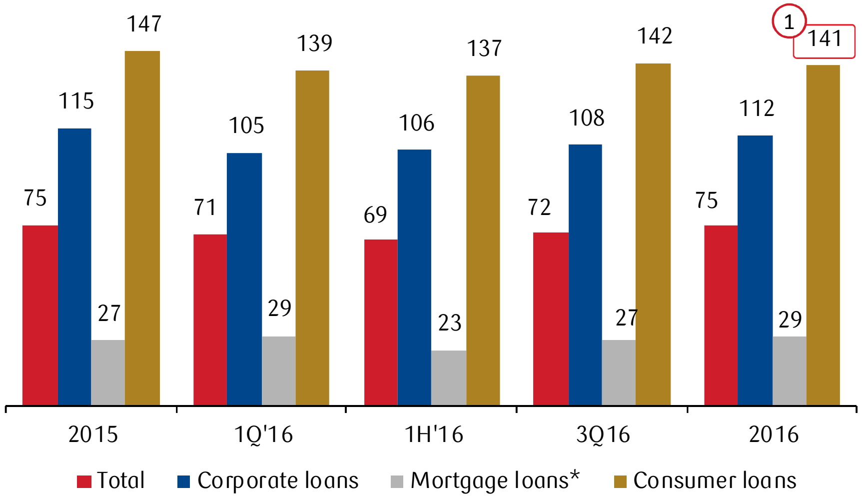
Share of loans with recognised impairment



Coverage of loans with recognised impairment by impairment allowance



Cost of risk over the last 12M (bp.)



1. Improvement in consumer loans cost of risk by 6 bp y/y and by 3 bp y/y in corporate loans. Slight deterioration in mortgage loans cost of risk by 2 bp y/y.

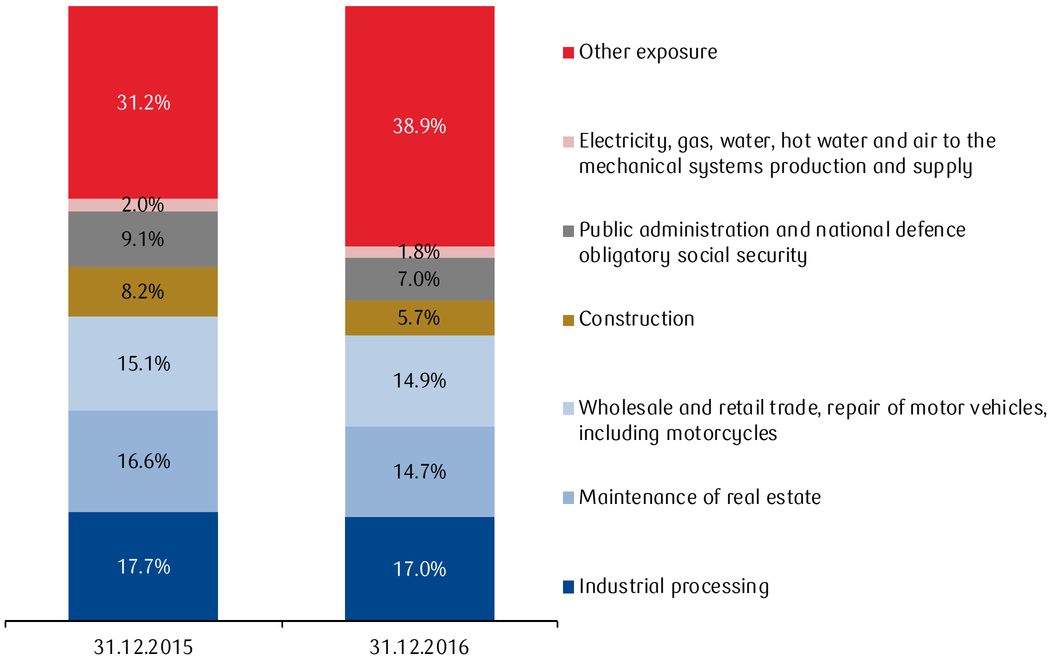
2. Growth of coverage ratio by 97 bp in comparison to the previous year. In the case of corporate loans the level of coverage ratio increased by 82 bp in comparison to the previous year, and it was the biggest growth among others.

* Includes data of PKO Bank Polski and PKO Mortgage Bank

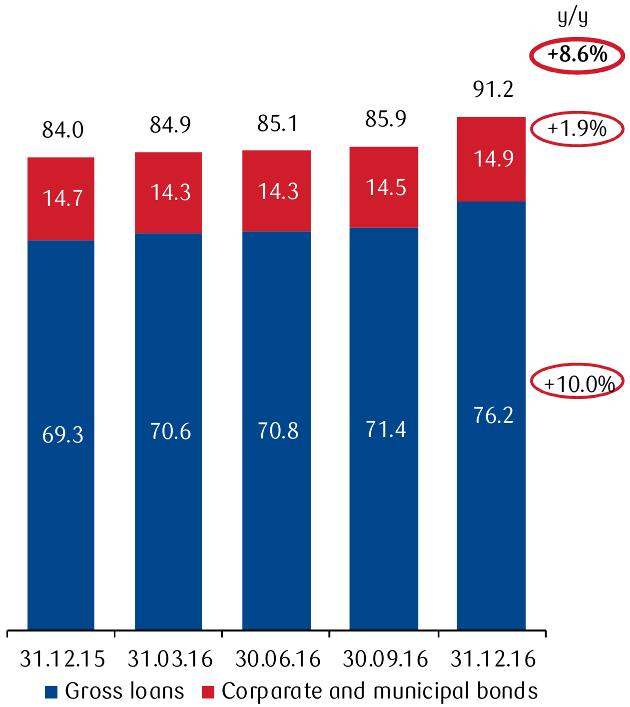
Credit risk concentration
Highly diversified loan portfolio

Bank Polski

1 Structure of corporate[1)] loans by industry segment



Receiveables due from corporate[1)] entities (PLN bn)

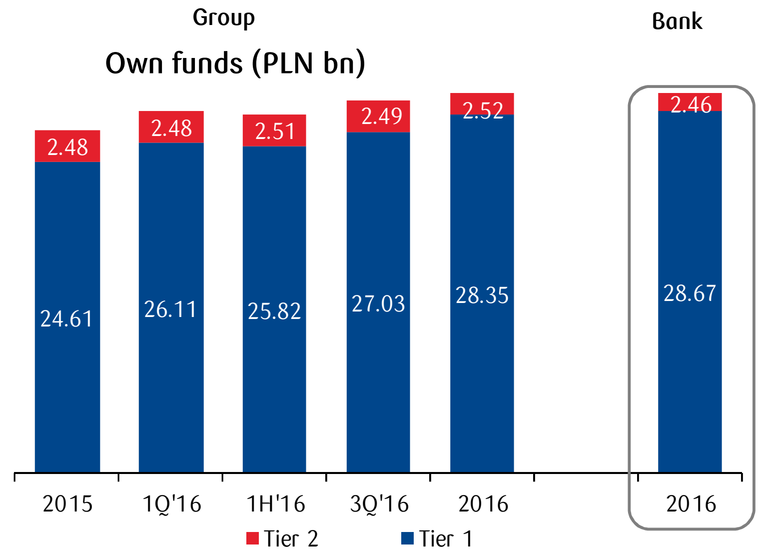


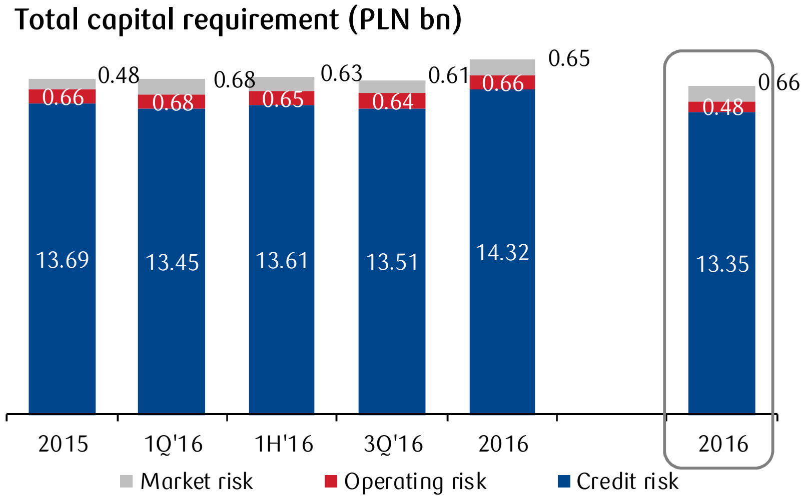
1

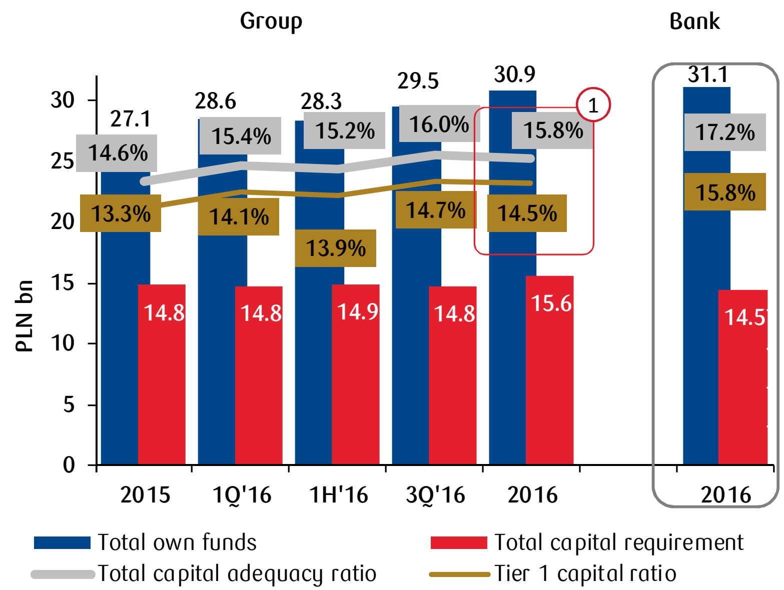
The highly diversified structure of the loan portfolio indicates low sector concentration. In 2016 the biggest share in the portfolio had a section „Industrial processing" (17.0%), whose share in the portfolio increased by 0.78 pp. y/y. The largest decline of the share in the portfolio (-2.5 pp. y/y) was on the section „Construction".
The share of the section „Mining and quarrying" in the corporate loans portfolio is approx. 1.2%.

(1) Gross loans of non-financial and state budget entities

Capital adequacy (1)
Solid capital position







1

The level of capital adecuacy ratios of the Group remained at a safe level, above regulatory requirements.

The level of adequacy ratios in Q4 2016 was mainly determined by:
– retaining all of 2015 profit of PLN 1 250 mn and allocating of Q3 2016 profit of PLN 438 mn to own funds,
– the increase in Group's assets due to the acquisition of Raiffeisen Leasing by PKO Leasing SA.

Capital adequacy (2)

Bank Polski

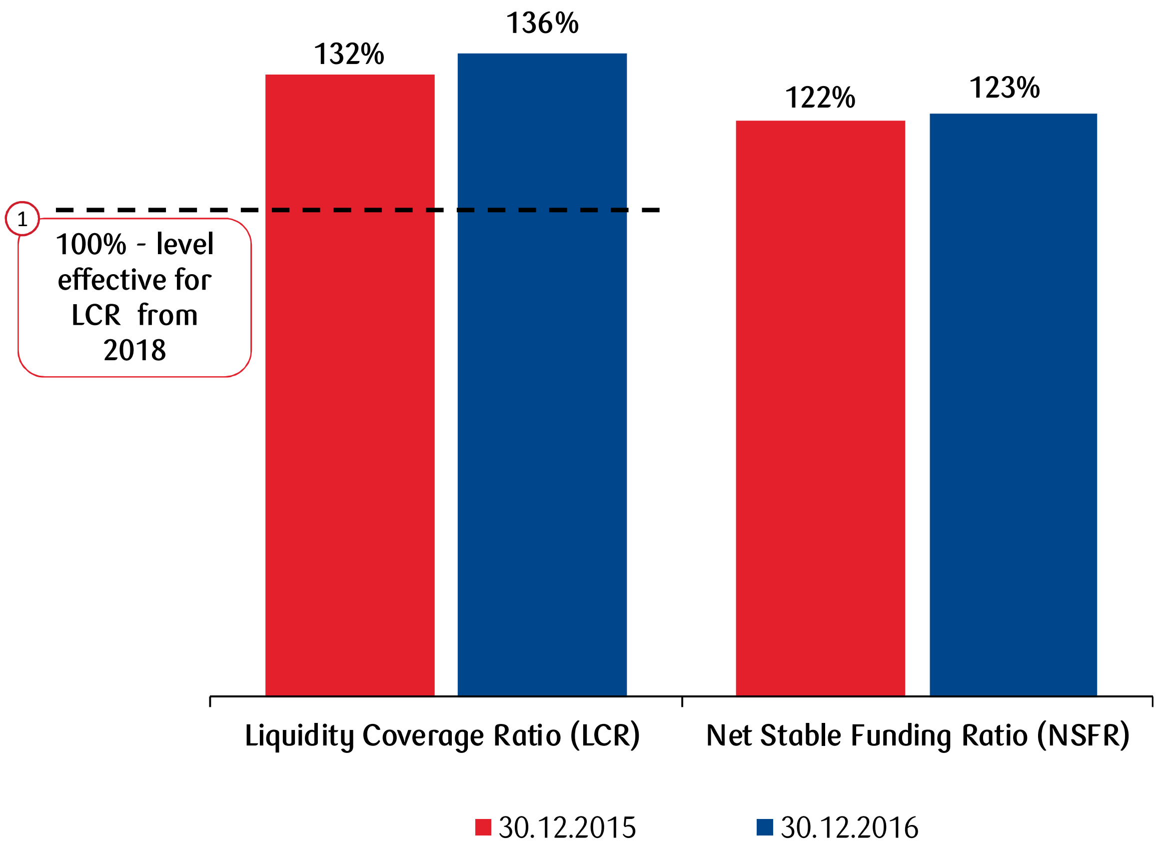
	Buffers and additional capital - PKO BP Group				Bank
	Banking Law / CRR	PFSA's decision from 2015/10/22 regarding conservation buffer	PFSA's decision from 2016/10/10 regarding O-SII buffer	PFSA's decision from 2016/12/29 regarding additional capital	PFSA's decision from 2016/10/18 regarding additional capital
Common Equity Tier 1 ratio (CET1)	**4.50%**	1.25%	0.75%	0.44%	0.46%
Tier 1 ratio (T1) *	**6.00%**	1.25%	0.75%	0.59%	0.62%
Total Capital Ratio (TCR)	**8.00%**	1.25%	0.75%	0.79%	0.83%

* PKO BP Group and Bank CET1=T1

	Minimum capital ratios - PKO BP Group		Minimum capital ratios - Bank	
	PFSA's statement as of 2016/12/6 regarding banks' dividend payment		PFSA's statement as of 2016/12/6 regarding banks' dividend payment	
	50%	100%	50%	100%
Tier 1 ratio (T1)	13.25% + 0.75%+ 0.59% = **14.59%**	13.25% + 0.75%+ 0.59% = **14.59%**	13.25% + 0.75%+ 0.62% = **14.62%**	13.25% + 0.75%+ 0.62% = **14.62%**
Total Capital Ratio (TCR)	13.25% + 0.75% + 0.79% = **14.79%**	16.25% + 0.75% + 0.79% = **17.79%**	13.25% + 0.75% + 0.83% = **14.83%**	16.25% + 0.75% + 0.83% = **17.83%**

As at 31 December 2016, the share of currency housing loans for households in the entire portfolio of amounts due from the non-financial sector of the PKO Bank Polski SA amounts to approx. 20%, and the share of the currency portfolio granted in the years 2007-2008 in the portfolio of currency housing loans for households – to approx. 44%.

Liquidity ratios
LCR level significantly above the regulatory standards



1

According to Capital Requirements Directive IV / Capital Requirements Regulation, implemented as at 31 March 2014, the minimum LCR levels to be maintained are:
- 80% as of 1 January 2017
- 100% as of 1 January 2018

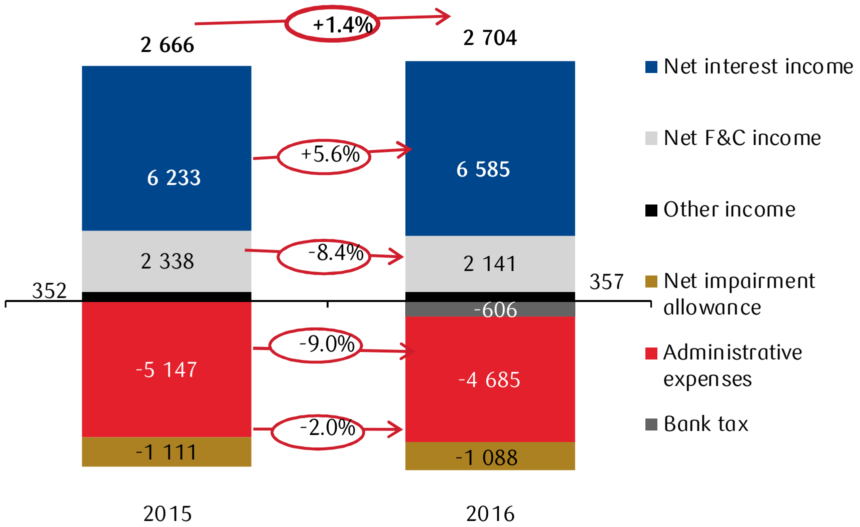
Bank Polski

Business activity by segment

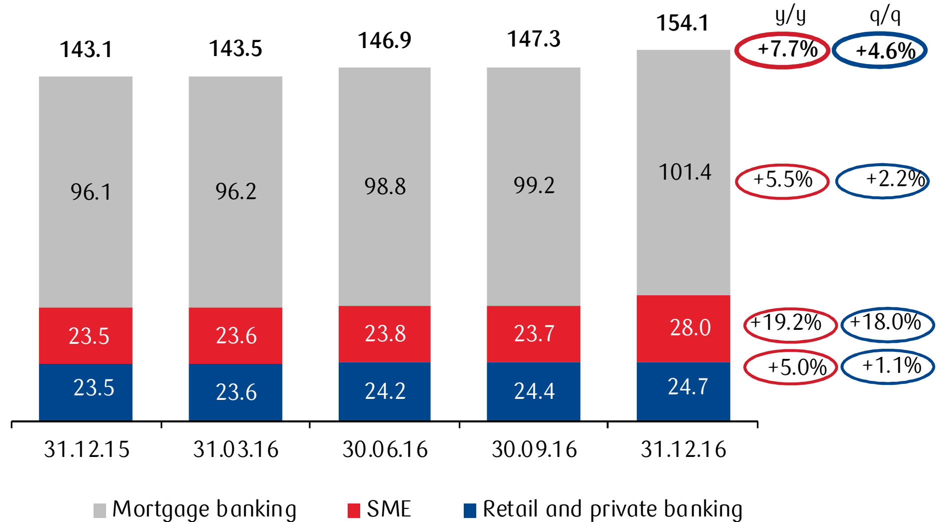
Segment results: Retail Banking

Increase in the volume of loans and deposits, and significant growth in the sales of housing loans y/y

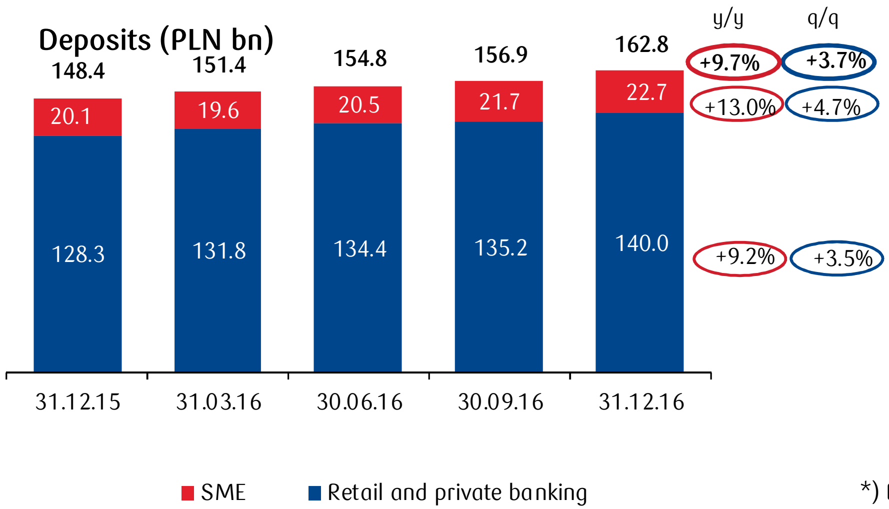
Gross financial result of retail segment (PLN mn)



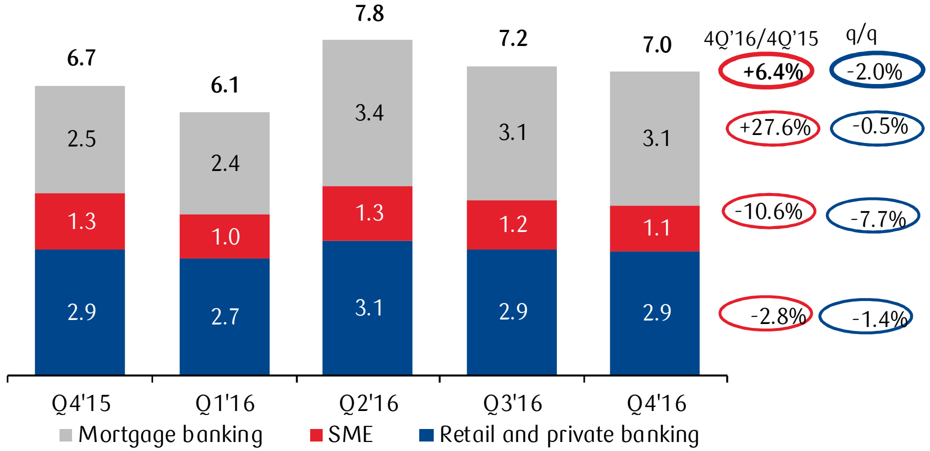
Gross loans (PLN bn)



Deposits (PLN bn)



New sales of loans (PLN bn) - standalone data*



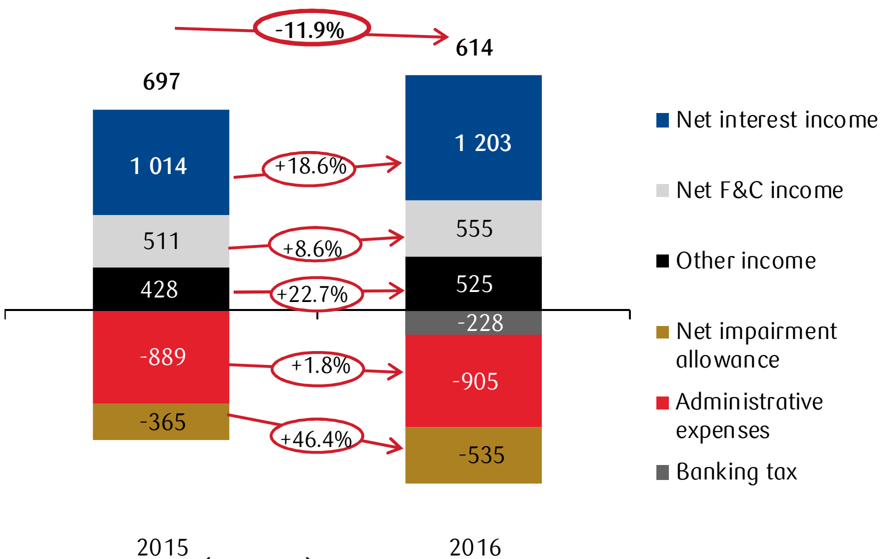
*) Does not include renewals of SME loans, which in 4Q'16 amounted to ca. 3.7 PLN bn

Segment results: Corporate and Investment Banking

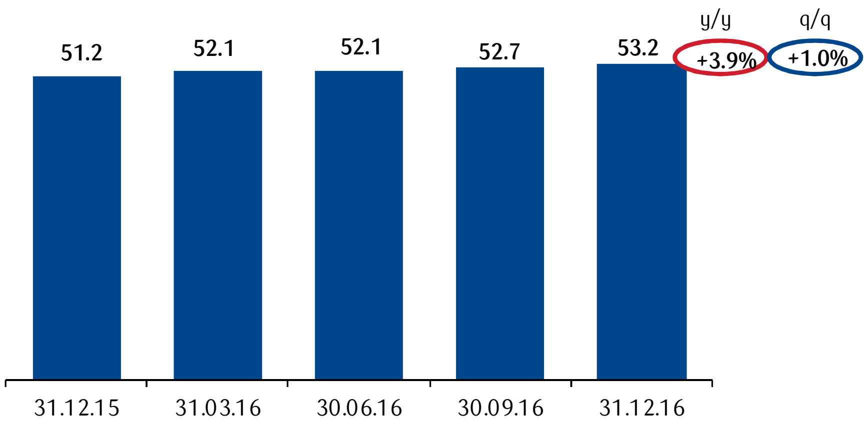
A decrease in the segment's result is mainly associated with an increase in impairment allowances for corporate loans

Bank Polski

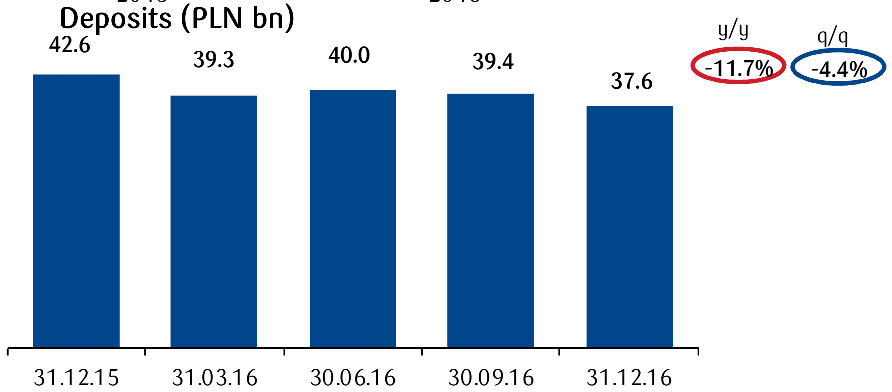
Gross financial result of the corporate and investment segment in PLN mn



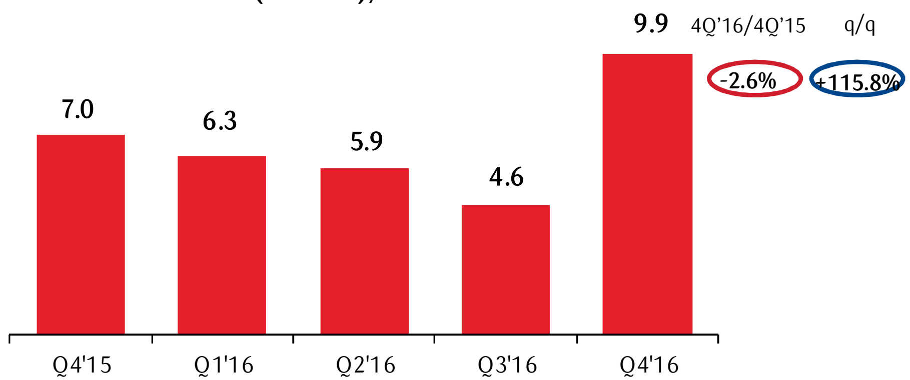
Gross loans (PLN bn)



Deposits (PLN bn)



New loan sales (PLN bn), standalone data

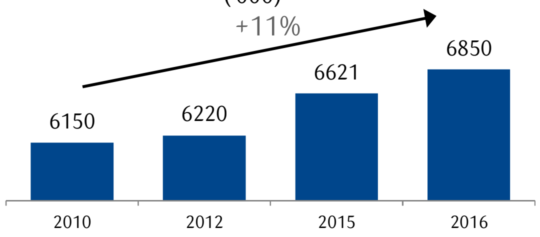


Additional information

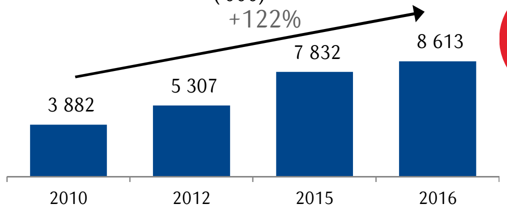
PKO Bank Polski is a undisputed leader of Polish banking sector

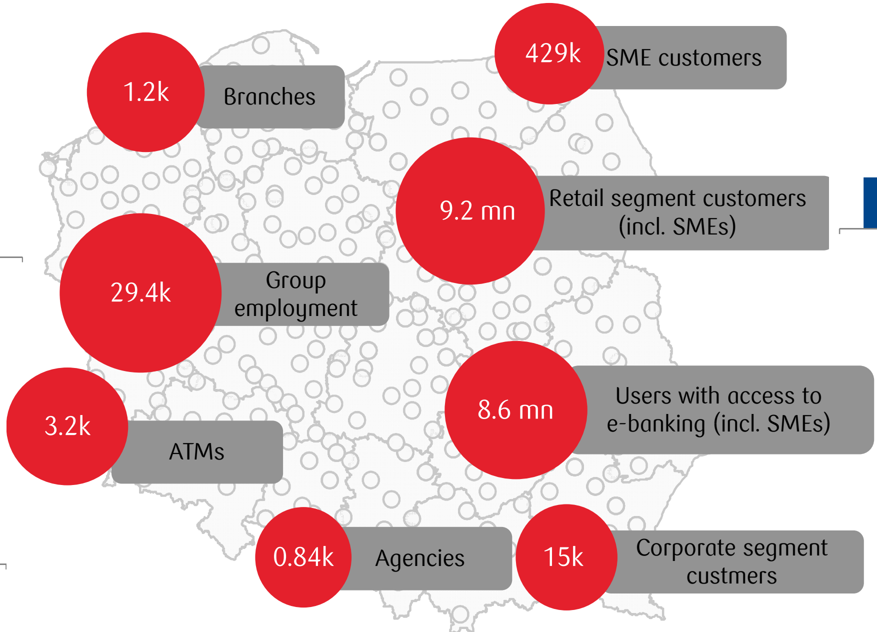
Bank Polski

Number of current accounts of induviduals ('000)

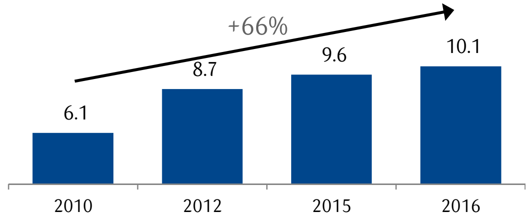


Number of customers with access to e-banking ('000)

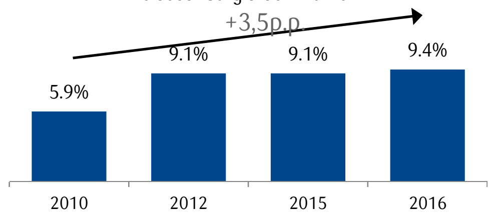




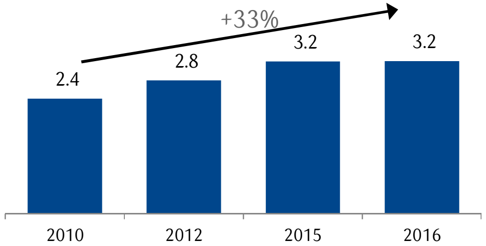
Number of corporate customers using corporate e-banking ('000)



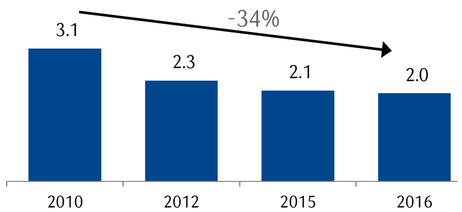
The share of PKO BP Brokerage house in trading on the secondary stock market



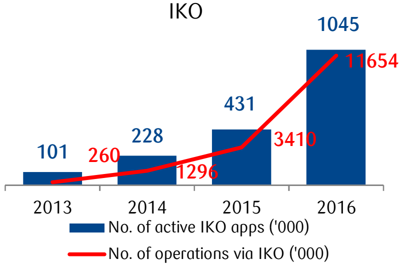
Number of ATMs ('000)



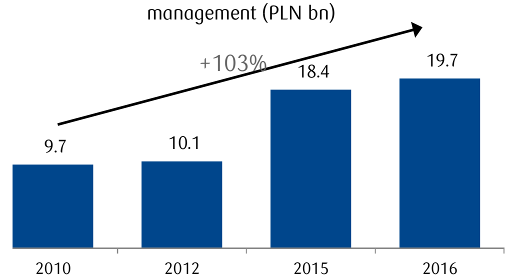
Number of retail branches and agencies('000.)



IKO

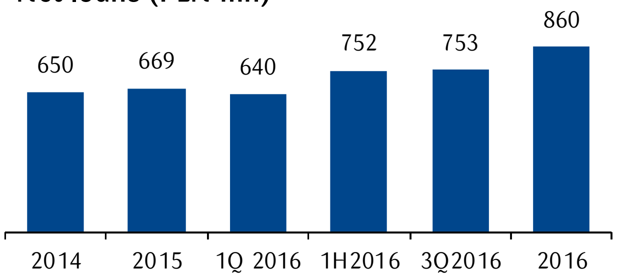


PKO Inestment Funds - value of assets under management (PLN bn)

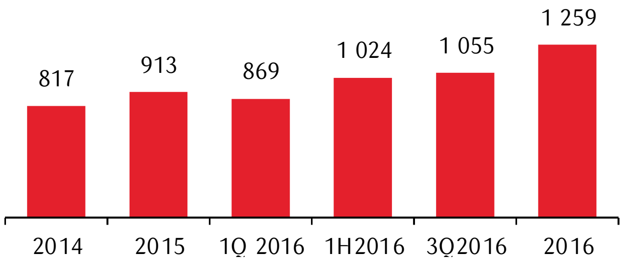


Activity in Ukraine – results of Kredobank

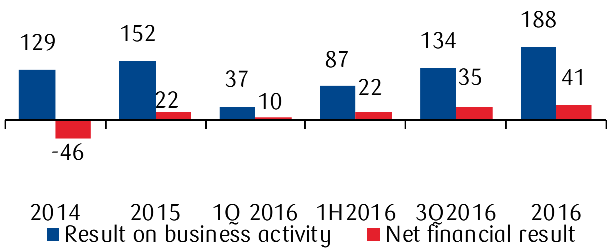
Net loans (PLN mn)



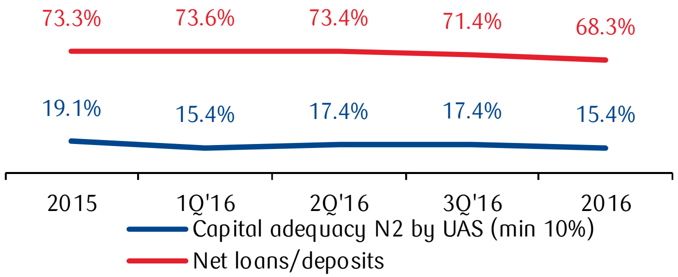
Deposits (PLN mn)



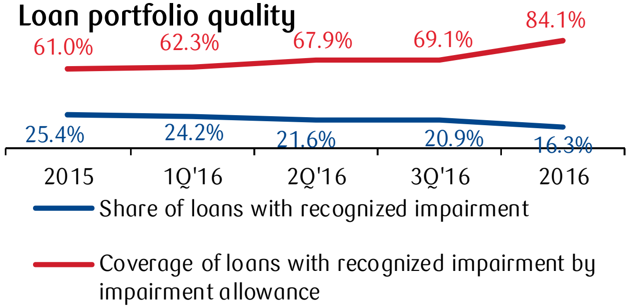
Financial results (PLN mn)



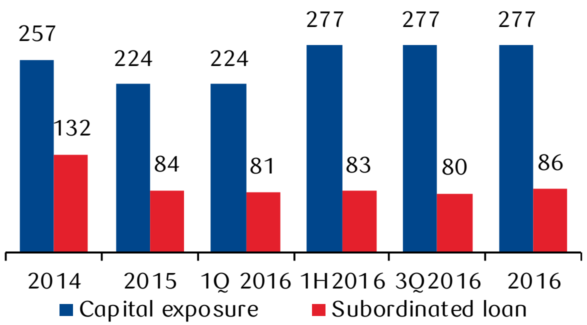
Adequacy and liquidity



Loan portfolio quality



PKO BP's exposure (PLN mn)

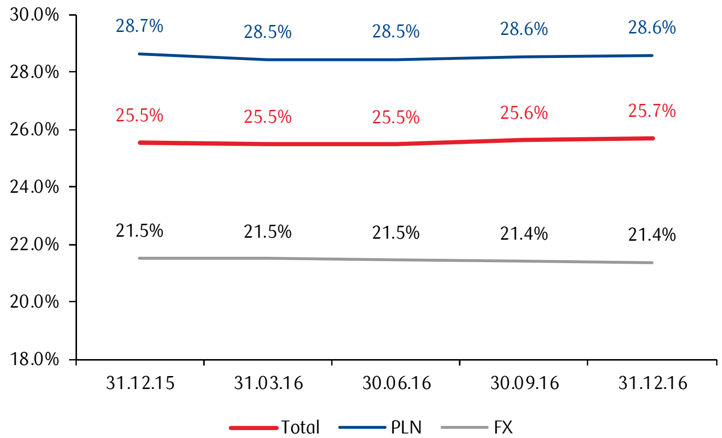


Retail segment – mortgage loans

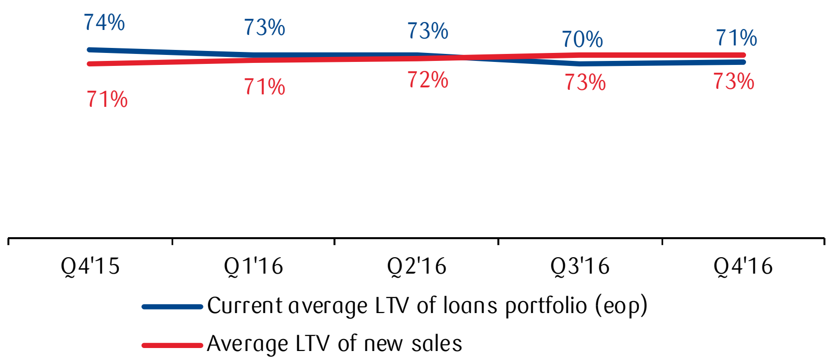
Bank Polski

Standalone data

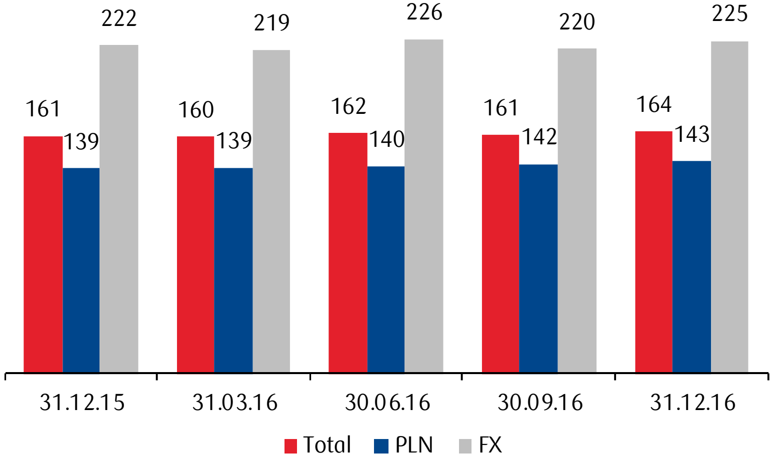
Market share of FX mortgage loans*



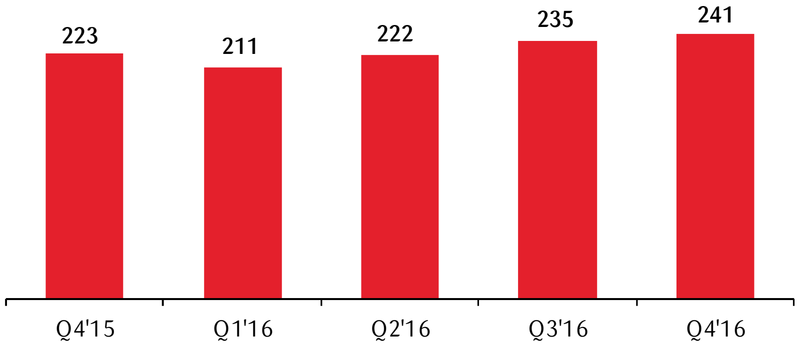
Average LTV*



Average carrying value of mortgage loan* (PLN'000)



Average value of mortgage loan in new sales* (PLN'000)

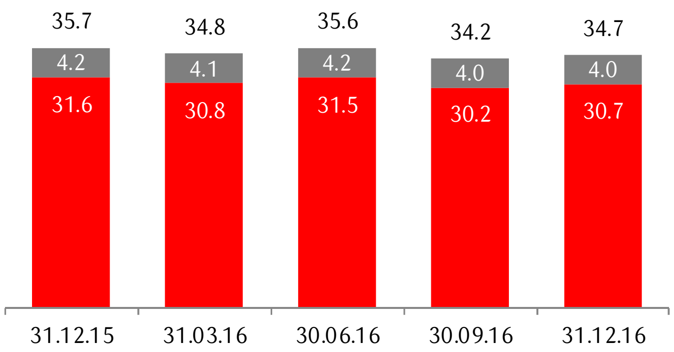


* Includes data of PKO Bank Polski and PKO Mortgage Bank

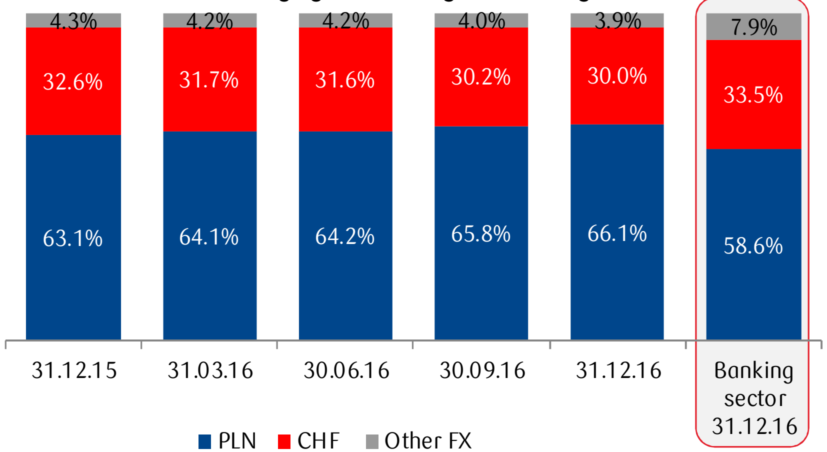
CHF denominated mortgage loans portfolio

Bank Polski

Volume of FX mortgage loans (PLN bn eop) *



Structure of mortgage loans by currrency *



Processes and actions in support of borrowers with housing CHF loans:

According to a previous declaration the Bank continued to apply operations to compensate customers for an increase in loan installments due to the strengthening of the Swiss franc, including:

- 1% spread in handling mortgage loans in this currency,
- taking into account the negative rate of LIBOR CHF in the cost of a mortgage loan,
- extending the repayment date within the maximum term of the loan without charging a fee for extension of the term of the loan.

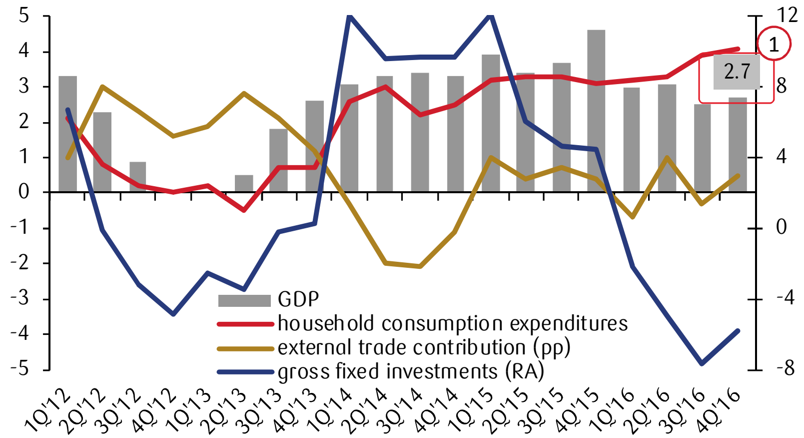
In addition, the Bank provided customers with the opportunity to apply for change of collateral of the loans in CHF in order to allow the sale of real estate secured with mortgage, associated with the granting of a new loan in PLN and the establishment of a mortgage on a newly purchased property. In the last quarter of 2016, the validity of the offer supporting borrowers with CHF mortgage loans was extended until 30 June 2017.

* Includes data of PKO Bank Polski and PKO Mortgage Bank

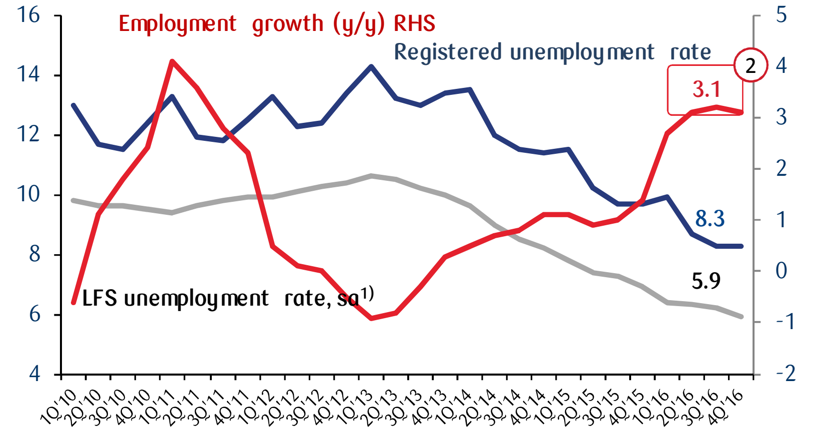
Macroeconomic trends
Economic recovery amid booming labour market

Bank Polski

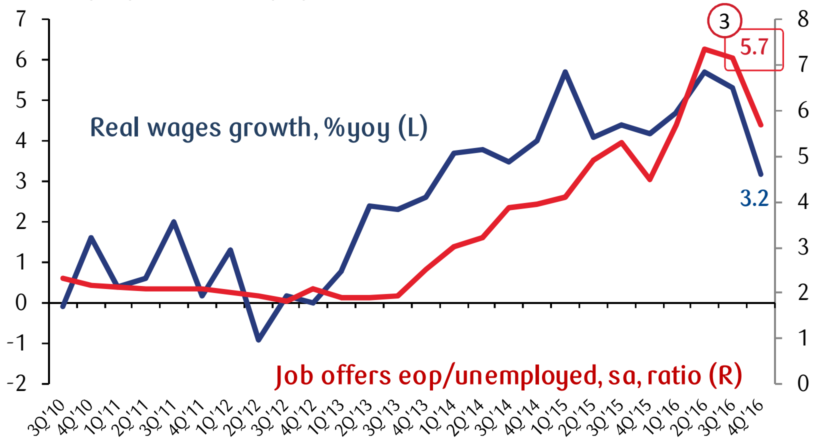
Real GDP growth and its drivers (% y/y)



Labour market trends (%)



The ratio of supply and demand on the labour market vs. real wage growth (% y/y)



(1) Percentage share of the number of unemployed population in the number of economically active population (i.e. employed and unemployed persons); consistent with EU methodology.

1 GDP growth in 4Q2016 inched up to 2.7% y/y (from 2.5% y/y in 3Q2016) totaling 2.8% in the whole year (vs. 3.9% in 2015). Accelerating private consumption remained the key growth driver, whereas the fall of investments that was deepening during the year (mostly due to the break between the "old" and "new" EU multiyear financial framework), decelerated in 4Q2016.

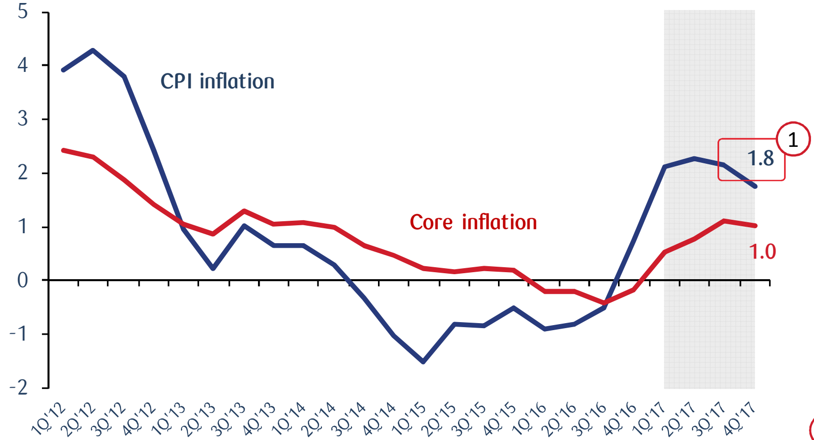
2 Economic growth is accompanied by further improvement of the labour market conditions, ie. accelerating employment growth, as well as falling unemployment rate (towards record-low levels).

3 Record low unemployment maintains the wage growth on a stable, high level. Wage growth in 2016 amounted to 4.1% (4.7% in real terms). Sound improvement of incomes, that is additionally stimulated by 500+ program transfers, supports increasing consumption.

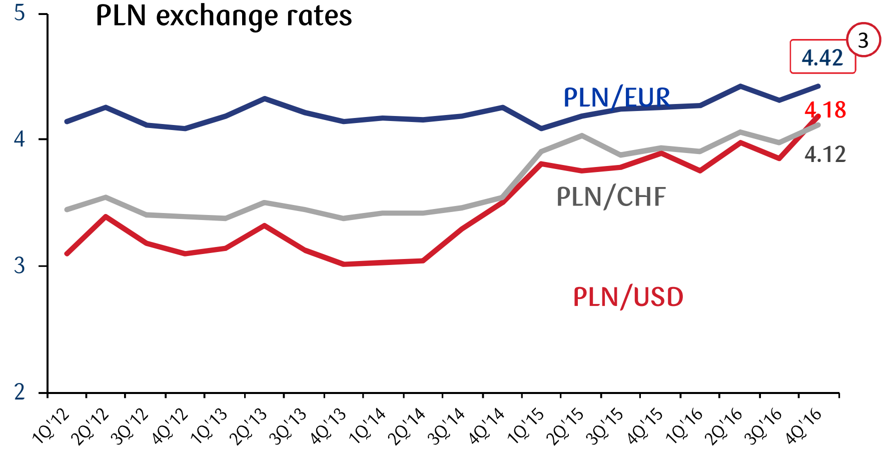
Macroeconomic trends
The end of deflation and expectations for rate hikes

Bank Polski

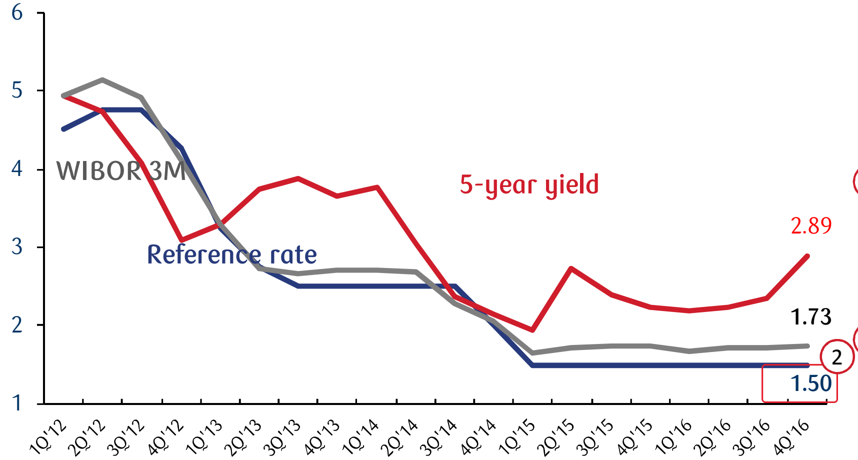
CPI and core inflation (% y/y)



PLN exchange rates



Interest rates (% eop)



1 The 28-months long deflation ended in November. CPI inflation increased to 0.3% y/y in 4Q2016 from -0.7% in 3Q2016, whereas in the whole year it rose to -0.6% y/y from -0.9% in 2015. The key drivers of the inflation rebound were increasing prices of fuels and food. Core inflation stayed almost the entire year below zero (0.0% y/y in December) showing that underlying inflationary pressures remain subdued. Rising food prices, as well as low base effects of fuel prices, will drive CPI inflation towards NBP target of 2.5% in 2Q2017.

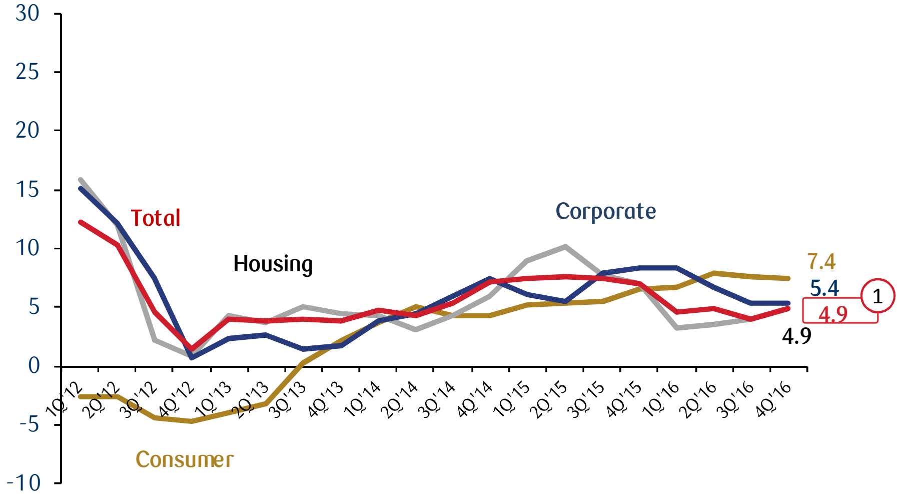
2 NBP rates remained stable in 2016. The MPC expects the interest rate level to remain stable throughout 2017. Despite surging inflation, the MPC will most likely ignore it as long as price increases are of an exogenous nature, thus cooling down exaggerated expectations of rate hikes in 2017.

3 The zloty weakened against all major currencies in 2016, as Polish subsidiaries of foreign banks reduced liabilities against parent companies, the surplus on capital account decreased, and USD appreciated due to increased expectations of rate hikes in the US.

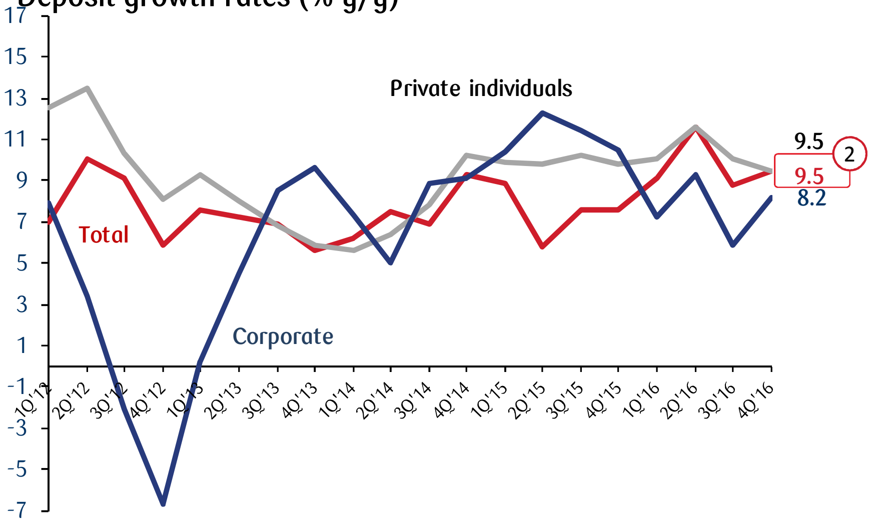
Banking sector and mutual funds
Lower loans/deposits ratio, further growth of mutual funds assets

Bank Polski

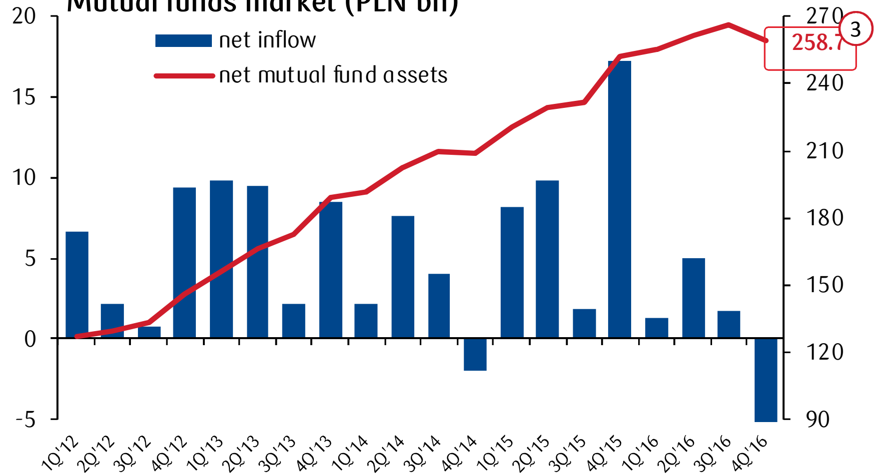
Loan growth rates (% y/y)



Deposit growth rates (% y/y)



Mutual funds market (PLN bn)



1 Lending expansion in 2016 was influenced by banks' adjustments to changes in relative profitability of credit market segments: consumer credit growth remained high, whereas the growth rate of corporate credit and housing loans diminished.

2 The deposit growth remained elevated comparing to increase of lending volume. The main source of money creation was the net debt of central government units. The loan-to-deposit ratio fell to 98.7% vs. 103.0% in 2015.

3 The assets of investment funds kept on growing in 2016, as new funds flew in, and the stock market situation improved. The higher variability of the assets during the year resulted from stepwise changes of non-retail funds' assets.

Summary operational data

Bank Polski

PKO Bank Polski operating data (eop)	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Change	
						y/y	q/q
Current accounts ('000)	6 621	6 643	6 703	6 780	6 850	+3.5%	+1.0%
Banking cards ('000)	7 523	7 558	7 642	7 763	7 864	+4.5%	+1.3%
of which: credit cards	838	835	840	842	852	+1.7%	+1.2%
Branches:	1 278	1 275	1 267	1 256	1 238	-3.1%	-1.4%
- retail	1 238	1 235	1 227	1 216	1 198	-3.2%	-1.5%
- corporate	40	40	40	40	40	0.0%	0.0%
Agencies	881	870	857	851	837	-5.0%	-1.6%
ATMs	3 196	3 191	3 200	3 178	3 206	+0.3%	+0.9%
Active mobile banking applications IKO ('000)	431	554	623	818	1 045	+142.6%	+27.7%

Consolidated income statement of the PKO BP Group

Bank Polski

Profit and loss account (PLN million)	2015	2016	Change y/y
Net interest income	7 029	7 755	+10.3%
Net fee and commission income	2 851	2 693	-5.5%
Other income	786	1 343	+70.9%
Dividend income	11	10	-3.7%
Net income from financial instruments designated at fair value	41	4	-89.2%
Gains less losses from investment securities	88	506	+477.1%
Net foreign exchange gains	369	503	+36.4%
Net other operating income and expense	278	319	+14.8%
Total income items	**10 665**	**11 791**	**+10.6%**
Net impairment allowance and write-offs	(1 476)	(1 623)	+9.9%
Administrative expenses	(6 036)	(5 590)	-7.4%
Tax on certain financial institutions	-	(829)	x
Share in net profit (losses) of associates and jointly controlled entities	38	35	-9.4%
Profit before income tax	**3 191**	**3 783**	**+18.6%**
Income tax expense	(590)	(907)	+53.9%
Net profit attributable to non-controlling shareholders	(8)	2	x
Net profit attributable to the parent company	**2 610**	**2 874**	**+10.1%**

Consolidated income statement of the PKO BP Group - quarterly

Bank Polski

Profit and loss account (PLN million)	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q4'16/ Q4'15	Q4'16/ Q3'16
Net interest income	1 856	1 853	1 909	1 971	2 021	+8.9%	+2.5%
Net fee and commission income	694	635	667	686	705	+1.7%	+2.7%
Other income	241	197	571	384	191	-20.9%	-50.2%
Dividend income	0	-	9	1	0	+507.1%	-77.8%
Net income from financial instruments designated at fair value	30	(8)	(5)	29	(11)	x	x
Gains less losses from investment securities	12	51	426	27	3	-76.9%	-89.7%
Net foreign exchange gains	110	94	109	148	152	+38.3%	+3.1%
Net other operating income and expense	90	60	33	179	47	-47.7%	-73.7%
Total income items	**2 791**	**2 685**	**3 147**	**3 041**	**2 917**	**+4.5%**	**-4.1%**
Net impairment allowance and write-offs	(365)	(382)	(400)	(419)	(421)	+15.4%	+0.5%
Administrative expenses	(1 924)	(1 360)	(1 396)	(1 378)	(1 456)	-24.3%	+5.7%
Tax on certain financial institutions	-	(148)	(221)	(225)	(234)	x	+3.9%
Share in net profit (losses) of associates and jointly controlled entities	14	3	7	14	10	-30.3%	-30.9%
Profit before income tax	**517**	**798**	**1 137**	**1 033**	**815**	**+57.8%**	**-21.1%**
Income tax expense	(69)	(160)	(266)	(261)	(220)	+221.2%	-15.6%
Net profit attributable to non-controlling shareholders	4	(1)	(2)	3	2	-58.8%	-51.3%
Net profit attributable to the parent company	**444**	**639**	**874**	**769**	**593**	**+33.6%**	**-22.8%**

Consolidated statement of financial position of the PKO BP Group

Bank Polski

Assets (PLN million)	31.12.15	31.03.16	30.06.16	30.09.16	31.12.16	Change y/y	Change q/q
Cash and balances with the Central Bank	13 744	15 858	12 153	14 346	13 325	-3.0%	-7.1%
Amounts due from other banks	4 553	2 522	4 379	3 723	5 345	+17.4%	+43.6%
Trading assets	783	2 309	2 876	1 635	326	-58.3%	-80.0%
Derivative financial instruments	4 347	2 992	3 043	2 639	2 901	-33.3%	+9.9%
Financial assets designated at fair value through P&L	15 154	13 100	13 788	15 163	13 937	-8.0%	-8.1%
Loans and advances to customers	190 414	187 869	191 515	193 174	200 607	+5.4%	+3.8%
Investment securities available for sale and securities held to maturity	28 520	32 004	33 986	34 353	37 141	+30.2%	+8.1%
Tangible fixed assets	2 782	2 808	2 921	2 888	3 086	+10.9%	+6.9%
Other assets	6 643	7 629	7 781	7 687	8 905	+34.0%	+15.8%
TOTAL ASSETS	**266 940**	**267 091**	**272 442**	**275 608**	**285 573**	**+7.0%**	**+3.6%**

Liabilities and eqiuty (PLN million)	31.12.15	31.03.16	30.06.16	30.09.16	31.12.16	Change y/y	Change q/q
Amounts due to the central bank	4	4	5	4	4	-2.8%	-4.0%
Amounts due to banks	18 289	20 247	18 429	19 168	19 208	+5.0%	+0.2%
Derivative financial instruments	4 625	3 292	3 581	3 404	4 198	-9.2%	+23.3%
Amounts due to customers	195 758	194 856	199 392	201 181	205 066	+4.8%	+1.9%
Liabilities of insurance activities	2 400	2 429	2 410	2 568	2 944	+22.6%	+14.6%
Debt securities in issue	9 433	9 219	10 807	10 420	14 493	+53.6%	+39.1%
Subordinated liabilities	2 499	2 477	2 528	2 494	2 539	+1.6%	+1.8%
Other liabilities	3 666	3 532	3 703	4 051	4 552	+24.1%	+12.4%
Total equity	30 265	31 035	31 589	32 319	32 569	+7.6%	+0.8%
TOTAL EQUITY AND LIABILITIES	**266 940**	**267 091**	**272 442**	**275 608**	**285 573**	**+7.0%**	**+3.6%**

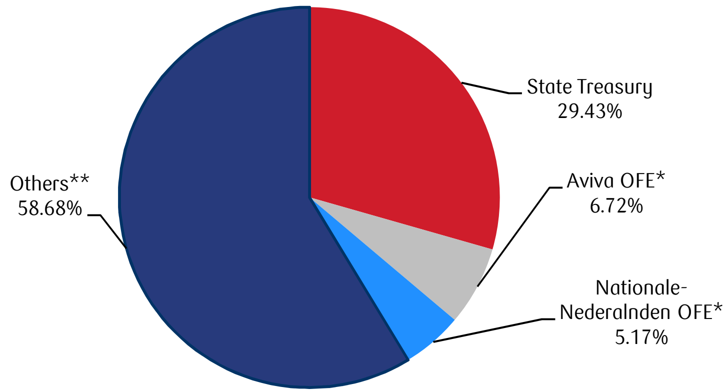
Shares and rating

Bank Polski

Basic information on shares

- **Listed:** Warsaw Stock Exchange since 10.11.2004 r.
- **Indices:** WIG, WIG20, WIG30, WIG Banki
- **ISIN:** PLPKO0000016
- **Bloomberg:** PKO PW
- **Reuters:** PKOB WA

Shareholders structure (number of shares: 1 250 mn)



*) Share reported by ING OFE after exceeding the threshold 5% of total number of votes at GM of PKO Bank Polski by Nationale-Nederlanden OFE, former ING OFE (as at 24.07.12) and Aviva OFE (as at 29.01.13)
**) Of which 1.96% BGK (State owned bank)

Rating

Rating: / Agency:	Long-term		Short-term	
	Deposits	Liabilities	Deposits	Liabilities
Moody's	A2 with negative outlook	A3 with stable outlook	P-1	(P)P-2

Principles of the dividend policy

Bank Polski

Principles of the dividend policy adopted on 2 March 2017

- The aim of the dividend policy is the optimization of the capital structure of the Bank and the Group of the Bank in consideration of return on capital and its cost, capital needs for development, while ensuring an appropriate level of capital adequacy ratios. The dividend policy assumes that payments of dividends in the long term perspective are realized stably with respect to the principle of prudent management of the Bank and the Group as well as the possibility of realization of payments out of capital excess over minimum capital adequacy ratios arising out of generally applicable provisions of law and regulation requirements as well as a minimum level of Tier 1 at the level of 14.62%, stipulated by the Polish Financial Supervision Authority for the purpose of payment of dividend by the Bank. The regulatory requirements should be considered also as the PFSA's, as the competent authority, position regarding the dividend policy for financial institutions, including the Bank.
- The dividend policy takes into account factors related to the activity of Bank and the companies of the Group, in particular supervisory requirements and recommendations with regard to capital adequacy.
- The principles were amended with respect to the fact that on 6 December 2016 the Polish Financial Supervision Authority issued its position regarding dividend policy of, among other, banks in 2017 for 2016. With respect to the above-mentioned position, threshold values for capital adequacy measures regarding dividend policy were stipulated in Principles at a level corresponding with the position of the Polish Financial Supervision Authority, i.e. it is Tier 1 exceeding 14.62% stipulated as dividend criterion.

Dividend

Payment from the net profit of the year	DPS (PLN)	Dividend yield (Div. Day)	Payout ratio
2015	0.00	x	0.00%
2014	0.00	x	0.00%
2013	0.75	1.9%	31.65%
2012	1.80	4.9%	61.12%
2011	1.27	3.9%	40.15%
2010	1.98	5.5%	74.75%
2009	1,90	4.2%	97.65%
2008	1.00	2.9%	34.71%
2007	1.09	2.2%	40.07%
2006	0,98	1.7%	47.87%
2005	0.80	2.1%	47.71%
2004	1.00	3.6%	66.18%

Dividend for 2015

According to the resolution of the Bank's AGM of 30 June 2016, dividend for 2015 was conditional and PLN 1,250,000 thousand would be allocated for the divided, which corresponded to PLN 1 gross per share.
On 2 November 2016, PKO Bank Polski, Raiffeisen Bank International AG and PKO Leasing have entered into a share purchase agreement related to a sale by RBI of 100% of the shares in Raiffeisen-Leasing Polska to PKO Leasing. The transaction results in one of the conditions precedents of dividend payment established by the resolution of PKO BP's AGM held on June 30, 2016 not being fulfilled.
In connection with the closing of the transaction, on 1 December 2016 the Bank's Management Board passed a resolution in which it established the lack of fulfillment of the dividend conditions.

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Bank Polski

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Any differences in total balances, percentages and growth rates result from rounding the amounts to PLN million and rounding percentages to one decimal place

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Investor's calendar:

22 May 2017	Publication of the Quarterly 1Q 2017 Report
28 August 2017	Publication of the 1H 2017 Report
13 November 2017	Publication of the Quarterly 3Q 2017 Report
12 March 2018	Publication of the 2017 Annual Report