Bank Polski

Strategy Overview and 2015 Financial Results

Solid business performance in a challenging market environment

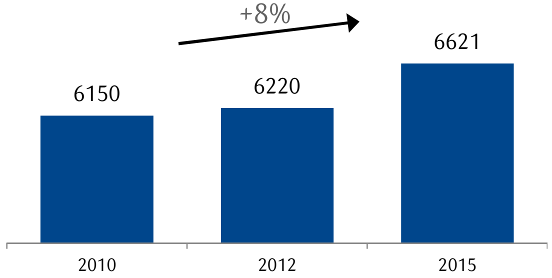
7 March 2016

Overview of the Strategy for 2012-2015

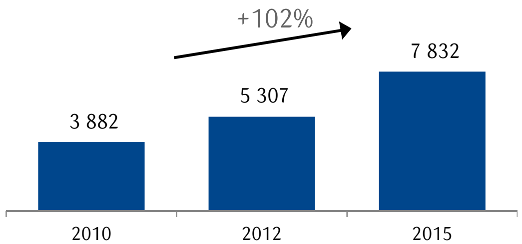
PKO Bank Polski is a clear leader of Polish banking sector

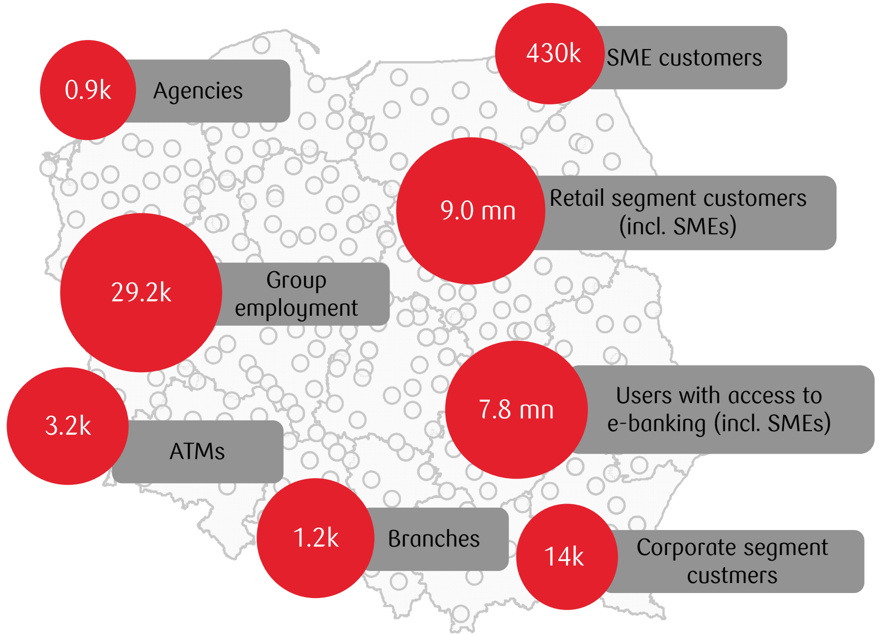
Bank Polski

Number of current accounts of induviduals ('000)

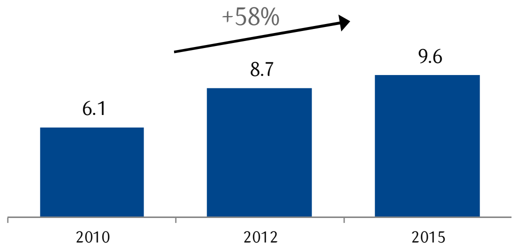


Number of customers with access to e-banking ('000)

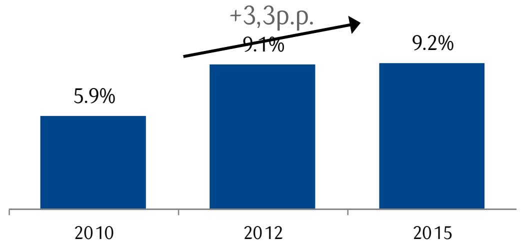




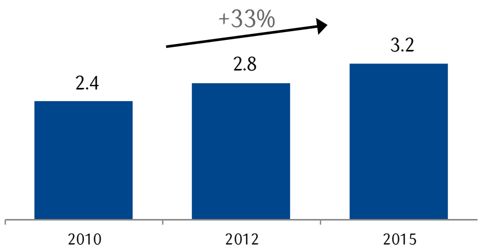
Number of corporate customers using iPKO Biznes



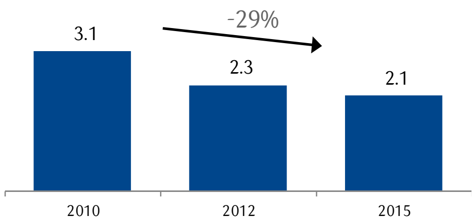
The share of DM PKO BP SA in trading on the secondary stock market



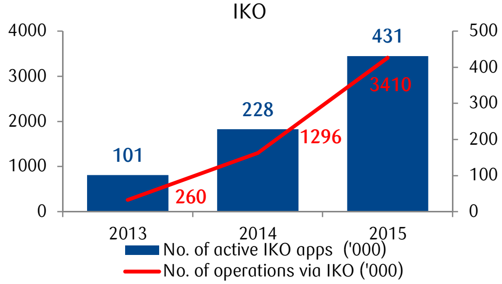
Number of ATMs ('000)



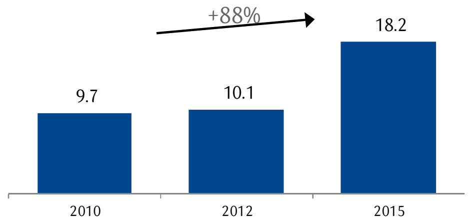
Number of retail agencies and branches ('000.)



IKO



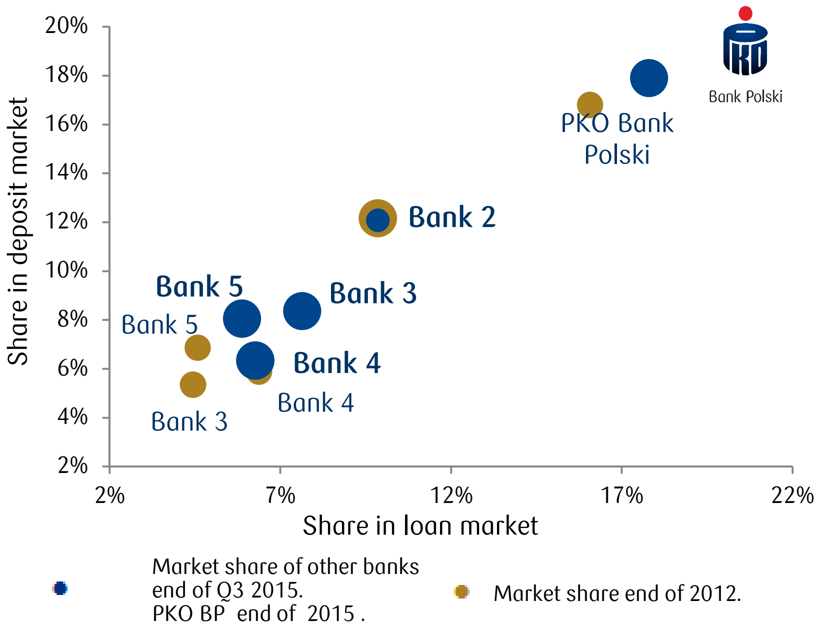
PKO TFI - value of assets under management (PLN bn)



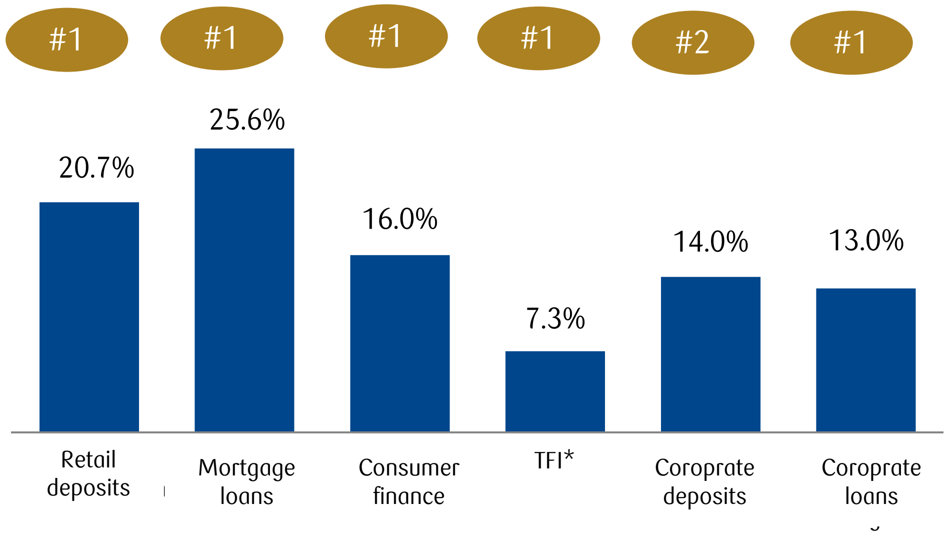
Strengthening of competitive position driven by organic growth and acquisitions

Bank Polski

PKO Bank Polski – Business Growth with Highest Volumes



PKO Bank Polski – Strong Market Position (end of 2015)



*Market position among investment fund companies (TFI) operating as part of banking groups. The lower market share is the consequence of the fact that PKO TFI is not actively offering non-public closed-end investment funds to the customers.

- According to the strategy of PKO Bank Polski for 2013-2015, the Bank has used both the growth levers – strong organic growth (assets up by PLN 42.1bn), and the effect of acquisition (up by PLN 29.6bn).

- In the years 2013 – 2015, PKO Bank Polski has strengthened its leading position in all the key loan and deposit segments.
- The second position in corporate deposits is in line with the Bank's strategy, which bases funding primarily on retail deposits

Source: PKO Bank Polski, Financial reporting by banks.

Solid financial performance as the result of execution of the Strategy for 2013-2015

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+71.7 billion of PLN assets up by 38%	**+1.7** pp increase in loan market share	**+1.1** pp increase in deposit market share	**11.0%** ROE as of Q4 2015*
-1.9 pp decrease of NPL ratio	**-0.7** pp decrease of CoR	**+2.0** pp growth of Core Tier 1	**3.2%** Interest margin as of Q4 2015*

* *Consolidated financials after exclusion of one-off events such as costs of bankruptcy of SK Bank and Borrower Support Fund.*

Strong business performance as the result of execution of the Strategy for 2013-2015

Bank Polski

1. position
in all key market segments

1. position
In ranking list of Polish brands in „Finance" category – most valuable brand

1. position
PKO Bank Polski's Contact Center best in business for 9. time

1-click
for cash loan

+809 thousand
growth in number of customers

+31 thousand
growth in the number of SME and corporate customers

~80%
of customers satisfied with PKO Bank Polski – customer experience

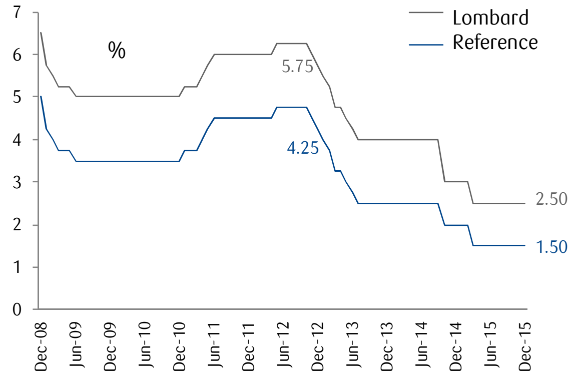
+48%
increase in the number of online banking customers – digital transformation

Key challenges in the market environment in the past 3 years

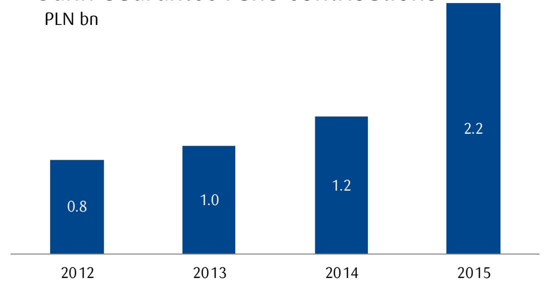
Bank Polski

	Scope of Regulation	Impact
Market interest rates	• Resolutions of the Monetary Policy Council cutting the base rates (reference rate down 1.75 pps in 2013, 0.5 pp in 2014, and lombard rate down 1 pp. and 0.5 pp in 2015)	• Drop in net interest income, negative impact on interest margin as a result of interest rates being at the historical low (including a lower cap on consumer finance)
Deposit guarantee scheme	• Introduction of prudence fee, increased contributions to BFG (in 2012-2015 the total charges for the guarantee scheme more than doubled)	• Increase in the operating costs of banks; the rate of contribution to the deposit guarantee scheme of about 75% y/y in 2015.
Interchange fee	• Statutory cap on interchange fees at 0.2% for debit cards and 0.3% for credit cards	• Decrease in income from interchange –negative impact on net fee and commission income
CRD IV Package	• Stepped up capital and liquidity requirements; • Short-term funding (LCR) • Change in the capital calculation rules and capital leverage rate	• Alignment of business to the liquidity requirements and a need to raise long-term funding (issues of bonds , covered bonds)
Bancassurance (Recomendation U)	• Separation of intermediation function; information requirements; change in accounting for income; use of good practice	• Change in the bank's business model (sales channel); limitation of insurance sales in the banking channel; operating expenses
Recommendation S	• Recommendation S on mortgage loans: stricter rules of lending and risk management : raised down payment requirement (5% as of 2014 and 10% as of 2015)	• Impact on mortgage lending due to higher requirements for borrowers; impact on net interest income and net fee and commission income; alignment of the business model as regards collateral
Borrower Support Fund (FWK) „Six-pack"	• FWK: a fund of PLN 600m established to support borrowers who took out home loans and are experiencing serious difficulties. • „Six-pack": aid for borrowers who took out CHF-denominated loans by, i.e. applying a negatiive CHF LIBOR rate and lower FX spreads.	• Negative impact on the operating expenses of the banks (FWK); • Lower income of the banking sector („six-pack")
de minimis guarantee	• Governmental de minimis guarantee programme to suport SMEs (guarantees by BGK)	• Increase in lending to Small and Medium-Sized enterprises
Additional capital requirements of PFSA	• Individual recommendations of PFSA regarding capital requirements in connection with exposure to foreign currency loans	• Increased capital requirements set individually for specific banks

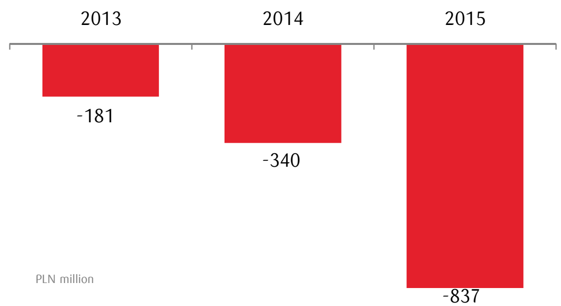
NBP's interest rates



Bank Guarantee Fund contributions



Lost income on reduced interchange rates



Source: NBP, PFSA, BFG, estimates by Bank

Execution of the key strategic objetives

Bank Polski

Bank's strategic goals	Target for 2015	Sector 2015	Bank 2015*
1 Return on Equity	• Above 15%	• 6.8%	• 11.0% in Q4 2015 excl. one-off's** (9.0% in 2015 incl.one-off's**)
2 Effectiveness (C/I)	• Below 45%	• 60.3%	• 51.7% w Q4 2015 excl. one-off's** (56.6% in 2015 incl.one-off's**)
3 Risk Appetite (CoR)	• Moderate, with cost of risk at 1.20 pp (100-120 bps long-term)	• 78 bps	• 72 bps
4 Growth and Market Share	• Leader in all key market segments: • Share in loan market 17% • Share in deposit market 18%		• Share in loan market – 17.8% • Share in deposit market – 17.9%
5 Customer Satisfaction	• Churn rate below market average	• 12.8%	• 8.4%
6 Capital Adequacy	• CAR above 12% • Core Tier 1 above 11%	• CAR – 15.6%***	• CAR – 15.3% • Core Tier 1 – 13.9%
7 Liquidity	• L/D below 98% • NSFR approximating 100% (above 100% long-term)	• L/D - 103%	• L/D – 97.3% • NSFR – 122.3%

Re. ROE, C/I, L/D and CoR ratios – consolidated financials.

** *Excludings costs related to SK Banki and Borrower Support Fund*

*** *At the end of Q3 2015*

Sustainable long term financial performance of the Bank

Bank Polski

Consolidated financials.

Financial results (PLN mn)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	CAGR 2005-2015
Assets	91.6	102.0	108.6	134.6	156.5	169.7	190.4	193.2	199.2	248.7	266.9	10.9%
Loans	46.9	58.9	76.4	101.1	116.6	130.7	141.3	143.5	149.6	179.5	190.4	15.2%
Deposits	76.7	83.5	86.6	102.9	125.1	133.0	146.5	146.2	151.9	174.4	195.8	9.4%
Total equity	8.7	10.1	11.9	14.0	20.4	21.4	22.5	24.4	25.2	27.6	30.3	11.9%
Revenues (net result on banking activity)	6.5	6.5	7.7	9.4	8.9	10.2	11.1	11.6	10.7	11.1	10.7	5.4%
OPEX	4.2	3.8	4.1	4.3	4.2	4.2	4.4	4.7	4.6	5.2	5.6	3.2%
Net impairment allowance	-0.2	0.0	-0.1	-1.1	-1.7	-1.9	-1.9	-2.3	-2.0	-1.9	-1.5	21.8%
Net profit	1.7	2.1	2.9	3.1	2.3	3.2	3.8	3.7	3.2	3.3	3.0	6.5%

Financial indicators, %	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
NIM	4.4	4.4	4.9	5.8	3.9	4.4	4.6	4.7	3.7	3.6	3.0
Cost of risk	-0.4	0.0	-0.2	-1.1	-1.5	-1.5	-1.3	-1.5	-1.3	-1.0	-0.7
NIM adjusted by cost of risk	4.0	4.4	4.7	4.7	2.4	2.8	3.3	3.2	2.4	2.6	2.3
C/I	64.4	58.5	52.7	45.8	47.9	41.7	39.6	40.3	43.2	47.1	52.1
ROE	19.0	22.7	26.2	24.0	14.8	14.9	17.5	16.0	13.2	12.4	10.4
ROA	1.9	2.3	2.8	2.6	1.6	2.0	2.1	2.0	1.6	1.4	1.2
CAR	13.9	11.8	12.0	11.3	14.7	12.5	12.4	12.9	13.6	13.0	14.6
Core Tier 1	bd.	11.6	10.2	9.9	13.3	11.3	11.2	11.8	12.5	11.7	13.3
L/D	61.1	70.5	88.2	98.2	93.2	98.3	96.4	98.1	98.5	102.9	97.3

Comment: OPEX, net profit, ROE excluding one-offs

Key strategic levers

Bank Polski

1

Customer Satisfaction

Selected initiatives

- **Development of Asset Management Business**

  A Capital Building Programme was launched, an offering of structured and bancassurance products was expanded. In cooperation with PKO TFI, retail and private banking customers are offered 38 non-dedicated funds. Steady development of transactional applications(iPKO dealer, iPKO biznes, PKO FX).

- **Comprehensive Customer Lifecycle Management**

  Bank takes care for customer satisfaction since their early years and are committed to developing long-term customer relationships. Bank created a unique offering for customers below the age of 13 - the SKO and Junior accounts, an education portal, contactless debit cards in the form of a sticker, key chain and a watch.

- **New Model of Personal and Private Banking**

  A comprehensive advisory model was launched and a value proposition restructured, new segmentation and a 360 degree customer view introduced.

  Nine specialized prestige Private Banking branched opened in Poland's largest cities.

- **Development of SME offering**

  The launch of a virtual branch for SME customers, who expect distance service and real-time access to products and services.

  The launch of new packages for SMEs differentiated by the stage of development of the business and by industry affiliation.

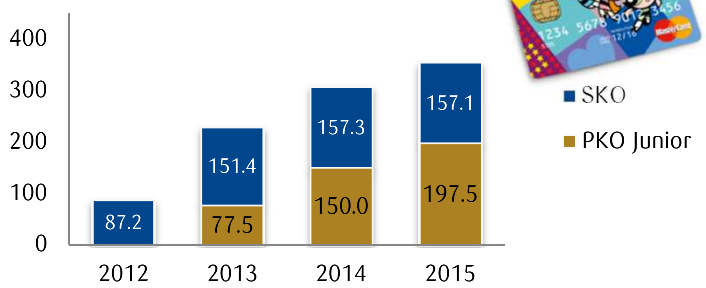
1 million accounts and PLN 2.7bn in Capital Building Programme

Every 4th mortgage loan taken out with PKO Bank Polski

DM PKO Bank Polski - No. 1. in transactions and No. 2 in trading

430,000 SME customers, ~30 per cent share in de minimis programme

No. of SKO and PKO Junior Customers



Key strategic levers

Bank Polski

2

Excellence in Distribution

Selected initiatives

- **„New Sales Rhythm" in Retail Network**

  Increase in the retail sales potential in terms of operation (among other things, a programme of boosting branch performance launched, new ATM functions, deposit-accepting ATMs, new branch format) and image.

- **Transformation towards omnichannel distribution**

  Enhancing the transactional potential of the remote channels, among other things, addition of a deposit functionality to IKO, the taking of a revolving loan or raising an overdraft limit in a personal and co-held account in iPKO. The development of the Contact Center towards the new telephone service model supporting the multi-channel distribution. The launching of the 360º customer view as part of the development of CRM. The introduction of new customer liaison channels – possibility to communicate with the bank by means of a Facebook application.

- **Modernization of the network of branches and agencies**

  Our efforts are focused on increasing the effectiveness of the sales network in terms of service quality and alignment of our offering with customer expectations. To this end, we have upgraded 285 branches and adjusted the network of agency offices to changes in the local market environment: in 2015 we set up 64 new offices in placed with high sales potential.

- **„New Business Energy" with Corporate Customers**

  We also initiated changes in the corporate network: a new structure of the sales network, separation of the strategic customer segment and launched a „New Business Energy" programme improving, among other things, the lending process or a coherent model of operation of sales and support units.

Nowy Rytm

Record sales results of the Bank in 2014–2015

Cash loans	SME loans	TOTAL
9.7 PLN billion	11.4 PLN billion	21 PLN billion
20%	13%	16%

Credit cards	ROR, SKO SME packages	PKO TFI
497.1 PLN million	722 thousands	9.6 PLN billion
34%	7%	62%

NEW Nowa Energia Współpracy

Bankowość Korporacyjna i Inwestycyjna

Key strategic levers

Bank Polski

3

Innovation and technology

Selected initiatives

- **Development of mobile banking**

  We launched and steadily improved the mobile payment application – the application has been activated by 500k customers. The project of building a payment system on the basis of PKO Bank Polski's application, dubbed „From IKO to BLIK" granted the title of the world's best payment innovation in 2015 by Efma.

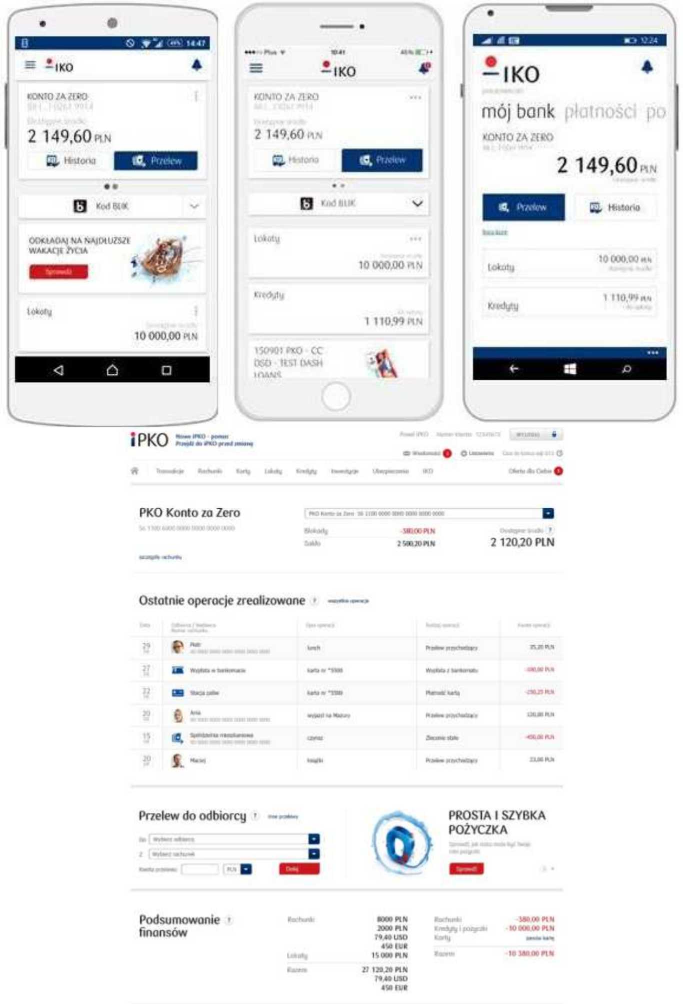
- **New releases of transactional platforms**

  The new iPKO has a refreshed graphic design, aligned with the Bank's information service, as well as new functionalities which the customer can manage on his/her own. The new iPKO Dealer platform is meant for customers who make payments in foreign currencies. The iPKO biznes application was given new functionalities, among other things, the key transactions in the service were simplified and redesigned. The Bank launched a new auto-dealing system, connecting the branch network with the Head Office of the Bank, and an application enabling customers to trade on the Forex market (PKO FX).

- **Innovation and cooperation with FinTech**

  The establishment of the Innovation Center (crowdsourcing platform) in the Bank, cooperation with Gdańsk Technical University in research on advanced biometric techniques, joint organization of a Corporate Demo Day „FinTech & Mobile" and partnership with MIT so as to exchange experiences with technology start-ups.

New layout and functionality of transactional platforms



Key strategic levers

Bank Polski

4

Competence Development

Selected initiatives

- **Transformation of corporate culture**

  The use of staff crowdsourcing to develop products and services thanks to the launch of the Innovation Center.

  Start of programmes of skills development and ones facilitating adaptation in a new workplace – Leader Academy, Competence Academy, a talent development programme, an onboarding programme for new employees „Dzień Dobry w Banku".

- **Investment in employee satisfaction**

  We made changes in the incentive system, launched a new model of competence and job valuation. We launched an Employee Pension Scheme and a cafeteria-like benefit distribution system – MyBenefit.

- **Social responsibility**

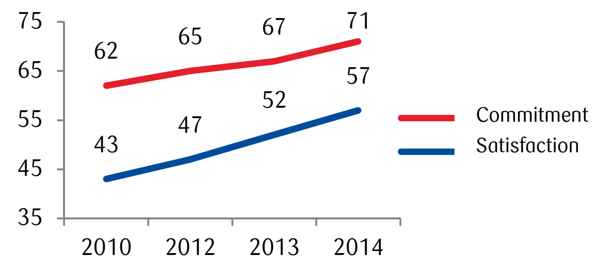
  By initiative of the employees, a Blood Donation Campaign was organized. PKO Bank Polski supports national culture by taking part in momentous cultural events, e.g. programmes to promote of young Polish artists and popularising classical music based on the intellectual output by the renowned musicologist Jan Weber.

- **Valuable Brand**

  We have seen a major improvement in the market perception of the Bank as a desirable, attractive employer.

Bank Polski | Centrum Innowacji

Increase in employee motivation (%)



1,305,000 km walked for charity

Key strategic levers

Bank Polski

5

Organizational Effectiveness

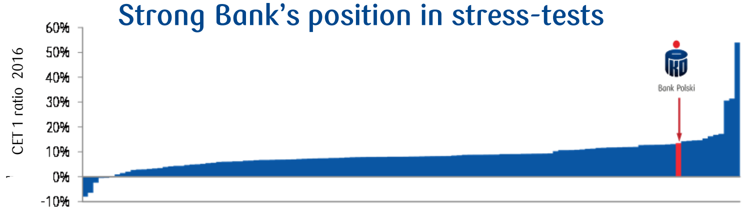
Selected initiatives

- **High standards of risk and capital management**
  As a result of the launch in 2015 of equity optimising initiatives, the level of Risk-Weighted Assets decreased. This strengthened the equity. At the end of 2015, total equity ratio had grown to 15.28% (by 1.9 pps y/y).
- **Steady improvement of business processes**

  Increased focus on „core business”, centralization of support function, standardization and reorganization of internal processes, shortening of decision-making paths and customer service time, improvements in property and plant management, risk management methods, numerous improvement initiatives in cost managementt. Also, IT integration within the Group was completed.

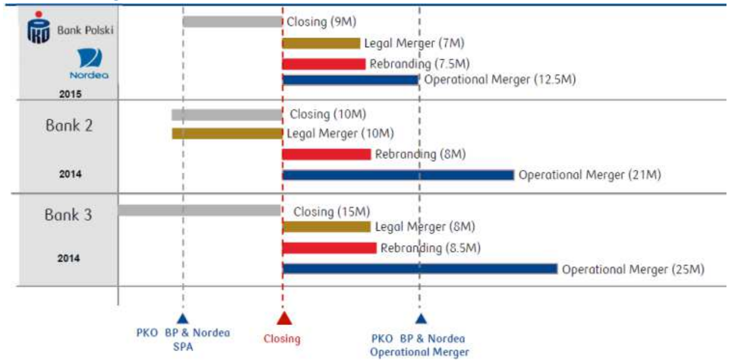
  The high organizational effectiveness was confirmed by the integration of the assets taken over from Nordea – the fastest completed process of its type in Poland.
- **Increased effectiveness of human capital management**
  A number of implementations and innovations supporting human capital management (inc. SAP implementation) and the development of corporate culture based on the Bank’s values.
- **New segmentation and CRM development**
  Integration of the functionalities of the central system with CRM has enabled us to offer a cash loan to 4 million of our customers in real time.

Strong Bank’s position in stress-tests

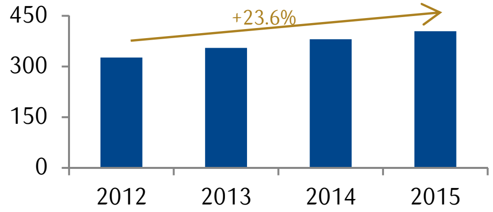


The results of the latest European stress test and asset quality review (2014) have confirmed the strong equity position of PKO Bank Polski (11. place among 123 European banks).

High operational effectiveness of the Bank



Increased number of products sold per employee of retail sales network



Key strategic levers

Bank Polski

6

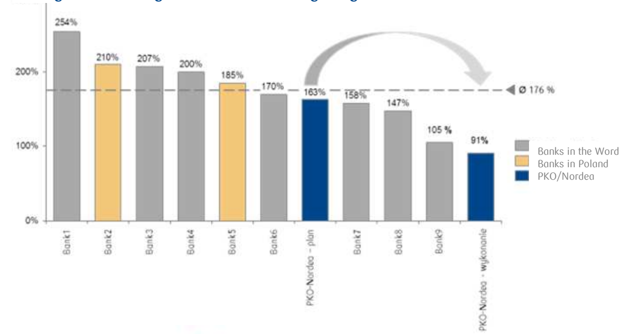
Acquisitions and alliances

Selected initiatives

- **Acquisition of Nordea Bank Polska**
  In April 2014 PKO Bank Polski finalized the acquisition of Nordea Bank Polska. In October 2014 the legal merger was completed, and in April 2015 the operational merger of the companies was effected. The acquisition has strengthened the competences of the Bank in the corporate banking and the segment of affluent customers. As part of the transaction PKO Bank Polski also acquired the leasing and factoring company and the insurance company (PKO Ubezpieczenia).
- **Establishment of PKO Bank Hipoteczny**
  Response to the regulations of Basel III (CRD IV) and expectations of the Polish Financial Supervision Authority (KNF) relating to the maintenance of safe standards of capital adequacy and liquidity.
- **Successful turnaround of Kredobank in Ukraine**
  Following the successful restructuring, in 2015 it had the highest financial result in the history despite the deep crisis. It was also considered by the local edition of Forbes as the safest bank in Ukraine.
- **Corporate branch in Germany**
  Support for the foreign expansion of the Polish corporate clients.
- **New Bancassurance model**
  Replacing the model of selling insurance provided by many external partners with the products of PKO Insurance.
- **Strategic alliance with EVO Payments International**
  The sale of 66% of shares in the company eService to the technological partner EVO Payments and the simultaneous conclusion of a 20-year strategic partnership with EVO on the payments market

High effectiveness of the integration process

(Integration budget as % of cost synergies)

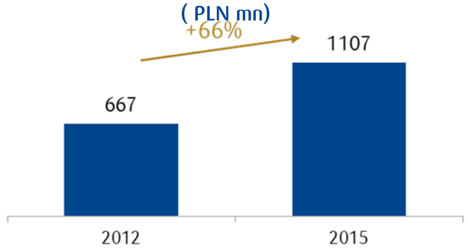


Bank Hipoteczny

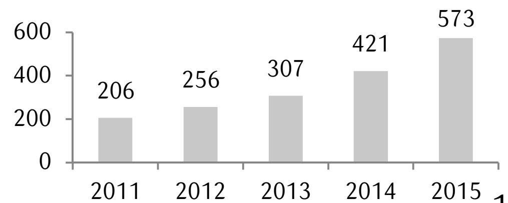
More than PLN 1 billion of assets in the 1st year of operations

Sales of insurance – value of gross premium

(PLN mn)



Dynamic growth of the number of purchases made by PKO Bank Polski's cards (million items)



Source: PKO Bank Polski

Highlights of the strategic challenges in the perspective of 2020

Bank Polski

1. CHANGES IN CUSTOMER PREFERENCES
2. INCREASED PRICE SENSITIVITY
3. DROP IN CUSTOMERS' LOYALTY TO BRAND
4. STIFFER COMPETITION AND DE-INTERMEDIATION
5. PRESSURE ON PROFITABLITY AND INDUSTRY VALUATIONS
6. COST EFFICIENCY
7. CHANGES IN TECHNOLOGY AND DIGITIZATION
8. CYBERSECURITY
9. REGULATORY RISKS
10. FIGHT FOR QUALIFIED STAFF

Bank Polski

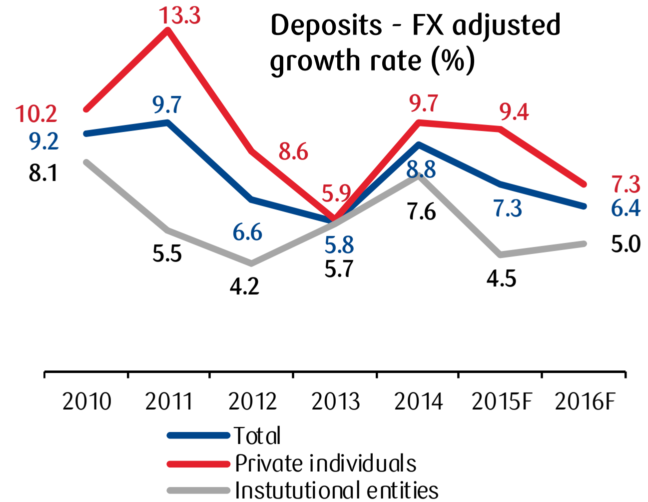
2016 macroeconomic and banking sector outlook

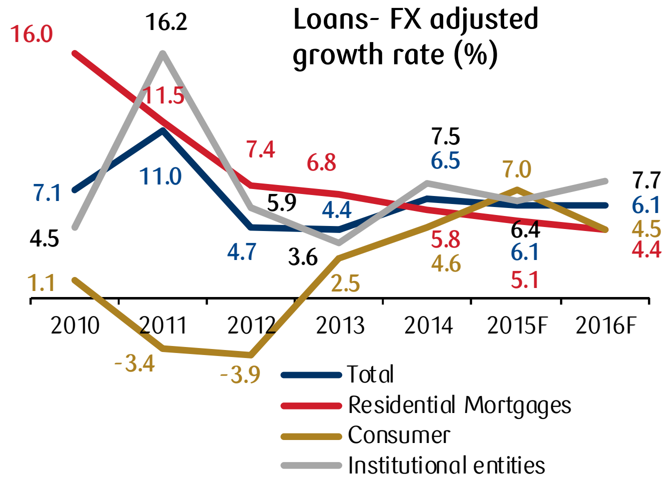
Bank Polski

		2013	2014	2015F	2016F
GDP	% y/y	1.3	3.3	3.6	3.5
Consumption	% y/y	0.2	2.6	3.1	3.6
Investments	% y/y	-1.1	9.8	6.1	2.9
Public sector deficit[1)]	% GDP	-4.0	-3.3	-3.1	-3.5
Public debt[2)]	% GDP	53.1	48.1	49.9	51.4
CPI	%	0.9	0.0	-0.9	0.1
Unemployment rate	% eop	13.4	11.4	9.8	8.9
WIBOR 3M	% eop	2.71	2.06	1.73	1.70
Reference rate	% eop	2.50	2.00	1.50	1.50
EURPLN	PLN eop	4.15	4.26	4.26	4.40
USDPLN	PLN eop	3.01	3.51	3.90	4.31

1) ESA2010
2) According to domestic methodology.

Source: Bank's forecasts





Selected actual strategic priorities for PKO Bank Polski – well positioned to deliver shareholders value

Bank Polski

1. **Strengthening customer experience** based on increasing customer satisfaction driven by uniform customer experience in all the sales channels (omnichannel distribution) and tailoring the service model and offering to the needs of specific customer segments, including modern value added services, particularly in mobile banking and asset management.
2. **Speed-up in digital transformation** of the E2E business processes on the basis of customer journeys, product simplification, advanced business analytics (MIS, CRM), digital transaction authorising techniques (elimination of paper and cooperation with e-administration), flexible IT architecture and the building of a friendly work environment and tools supporting customer advisors.
3. **Optimising capital management** by reducing RWA, more effective management of the on- and off-balance sheet exposure, implementing new tools for motivation and reporting on capital utilisation and transaction profitability so as to ensure capital for development and a stable dividend policy.
4. **Operational and cost efficiency of the organization** as a result of constant improvement of operating processes and realization of synergies from the merger with Nordea as well as a cost reduction programme, while at the same time keeping on investing in the long-term development of the Bank, particularly in the area of IT and distribution channels.
5. **Investing in cybersecurity and compliance with new regulations** by implementing advanced cybersecurity tools, including the establishment of a new data center, and investment in new sales model in connection with the coming into effect of MIFID II and PSD II.

Bank Polski

Financial results

Executive summary of financial performance

Bank Polski

- Net profit generated by the PKO Bank Polski Group in 2015 amounted to PLN 2,610 mn and was under pressure of increase in operating costs due to regulatory factors (increased contributions to the Bank Guarantee Fund and one-off costs), reduced limits of interchange fees and the historically low market interest rates.
- Negative effects of the above factors were largely offset by the increase in interest income on the basis of growth in the loan portfolio, interest costs optimization and effective management of credit risk resulting in a significant improvement in net impairment allowance
- Excluding the regulatory factors in the amount of PLN 480 mn (additional fee after bankruptcy of SK Bank and the payment to the Borrower Support Fund), the consolidated net profit for the year 2015 amounted to PLN 2,998 mn (decrease of 7.9% y/y)
- Consolidated net profit earned in the Q4 2015 amounted to PLN 444 mn and was lower by 45.5% q/q, mainly due to incurred one-off costs. On a comparable basis the Q4 2015 net profit amounted to PLN 833 mn, which means an increase of 2.2% q/q
- The Q4 2015 consolidated result on business activity of PLN 2.8 bn (+3.5% q/q) was determined by the increase in net interest income (+2.1% q/q), mainly due to reduced interest expense of 5.8% q/q and increase in net other result by 51.3% q/q
- Strenthening a leading market position
  - asset base increased to PLN 266.9 bn (+7.3% y/y) with net loans growing to PLN 190,4 bn (+6.1% y/y), funded with customer deposits, which rose to PLN 195.8 bn (+12.3% y/y)
  - Increase in market share of loans (17.8%, +0.3 pp. q/q) and deposits (17.9%, +1.1 pp. q/q)
- Portfolio quality improved considerably
  - risk cost declined by 24 bp y/y to reach 72 bp on annual basis
  - coverage ratio increased significantly by 1.4 pp y/y to reach 63.3%
  - NPL ratio declined by 0.3 pp. y/y to reach 6.6%
- High operational efficiency retained on a comparable basis (excl. one-off costs)
  - Cost to Income ratio (C/I) at 52.1% (51.7% in Q4'15)
  - Return on Equity (ROE) at 10.4% (11.0% in Q4'15)
  - Return on Assets (ROA) at 1.2% (1.3% in Q4'15)
  - interest margin at 3.0% (3.1 in Q4'15)
- Solid liquidity and improving of capital strength
  - Loans / Stable funding resources ratio at 85%
  - Capital Adequacy Ratio at 14.6% and Core Tier 1 at 13.3%; (for the Bank: 15.3% and Core Tier 1 13.9%) - an increase of 1.6 pp. r/r resulting from the implementation in the year 2015 initiatives concerning capital optimization, which allowed for the reduction in risk-weighted assets and, consequently, decrease in the total capital requirement of 2.8% r/r.
- The fulfilment of the additional capital requirements of PFSA allows to continue dividend policy in subsequent years

Highlights of the Business Initiatives in 2015

Bank Polski

Full operational integration with Nordea

April 2015 marked the end of the most important process: integration of PKO Bank Polski with Nordea Bank Polska – the first one of this scale. During the last stage of the merger – the operational merger – data of more than 300 thousand customers was moved to the IT systems of PKO Bank Polski. This way, the transactional systems and service have been harmonised.

Development of mortgage banking

The second quarter of the year saw the launch of PKO Bank Hipoteczny, whose task is, among other things, to raise long-term funding by issuing covered bonds. At the end of the year Bank Hipoteczny conducted a pilot issuance of covered bonds of PLN 30m with 5-year maturity, accruing interest at the WIBOR3M variable interest rate and a margin to MidSwap of 0.39%. Moody's long term rating of the covered bonds of PKO BH is at Aa3, which is the highest rate achievable by Polish securities.

Expansion abroad

On 7 December 2015, two months after obtaining the permission of the German financial supervision authority (BaFin), PKO Bank Polski Niederlassung Deutschland started operating. This meant the live launch of several IT systems and the full availability of banking products and services for corporate customers. The establishment of the branch in Germany is the first stage of expansion of PKO Bank Polski into countries with a high concentration of Polish business.

Development of bancassurance business

Integration with Nordea and the acquisition of its competence has facilitated growth in new areas for us, such as bancassurance. Earlier, as part of the business acquisition transaction, the PKO Bank Polski Group had added the life assurance company PKO Życie TU, operating under the brand PKO Ubezpieczenia. Another step in the fulfilment of our strategy assuming the development of the bancassurance business leveraging on the offering of its own insurance subsidiaries was the establishment of a property insurance subsidiary. Last March, we obtained the permission of the PFSA for the establishment of the property insurance subsidiary PKO Towarzystwo Ubezpieczeń. It will supplement our offering with property insurance and other personal. It is set to go operational in early 2016.

The year 2015 was marked by the strengthening of our market position in serving municipalities

In 2015, PKO Bank Polski strengthened its unchallenged leading position in the local government sector by entering into banking service contracts with some more metropolises. We now serve such provinces as: Mazovia, Great Poland, West Pomerania, Lubelskie and Kujawy and Pomerania. As many as eight provincial capitals are our customers : Kraków, Katowice, Wrocław, Szczecin, Poznań, Rzeszów, Zielona Góra and Gorzów Wielkopolski,.

Dynamic development of mobile banking

IKO
blik

One of the highlights of 2015 was the release of the new version of the IKO application. Launched in 2013, the application had undergone several modifications to be given new features in 2015, such as topping up phones, requests for money transfers to another user of the application and quick purchase of selected products offered by the bank. In 2015, the system of mobile payments used thus far in the IKO application was made available to several top banks in Poland as an interbank standard for mobile payments: BLIK. The project dubbed „From IKO to BLIK" was deemed to be the best innovation in payment services in the world – it came first in the „Distribution&Marketing Innovation in Retail Financial Services" competition by Efma.

Financial summary

Bank Polski

		2015	2014	Change y/y	Q4'15	Q3'15	Change q/q
P&L items (PLN mn)	Net interest income	7 029	7 523	-6.6%	1 856	1 818	+2.1%
	Net F&C income	2 851	2 934	-2.8%	694	721	-3.7%
	Result on business activity	10 665	11 147	-4.3%	2 791	2 698	+3.5%
	Administrative expenses	-6 036	-5 245	+15.1%	-1 924	-1 335	+44.0%
	Administrative expenses - comparable	-5 556	-5 245	+5.9%	-1 444	-1 335	+8.1%
	Net impairment allowance	-1 476	-1 899	-22.3%	-365	-362	+0.7%
	Net profit	2 610	3 254	-19.8%	444	815	-45.5%
	Net profit -comparable	2 998	3 254	-7.9%	833	815	+2.2%
Balance sheet (PLN bn)	Assets	266.9	248.7	+7.3%	266.9	254.9	+4.7%
	Net loans	190.4	179.5	+6.1%	190.4	185.2	+2.8%
	Deposits	195.8	174.4	+12.3%	195.8	178.3	+9.8%
	Stable financial resources	224.1	207.7	+7.9%	224.1	211.2	+6.1%
	Total equity	30.3	27.6	+9.6%	30.3	29.6	+2.3%

Comparable data - excluding one-offs, ie. 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)

Key performance indicators

Bank Polski

		2015	2014	Change y/y	Q4'15[5)]	Q3'15[5)]	Change q/q
Key financial indicators	ROE net (%)	9.0	12.4	-3.3 pp.	5.9	11.1	-5.2 pp.
	ROE net (%) - comparable	10.4	12.4	-2.0 pp.	11.0	11.1	-0.1 pp.
	ROA net (%)	1.0	1.4	-0.4 pp.	0.7	1.3	-0.6 pp.
	ROA net (%) - comparable	1.2	1.4	-0.3 pp.	1.3	1.3	-0.0 pp.
	C/I[1)] (%)	56.6	47.1	+9.5 pp.	68.9	49.5	+19.4 pp.
	C/I[1)] (%) - comparable	52.1	47.1	+5.0 pp.	51.7	49.5	+2.2 pp.
	NIM[2)] (%)	3.04	3.56	-0.52 pp.	3.12	3.11	+0.01 pp.
Quality of loan pottfolio	NPL ratio[3)] (%)	6.59	6.92	-0.33 pp.	6.59	6.94	-0.34 pp.
	Coverage ratio[4)] (%)	63.3	61.8	+1.4 pp.	63.3	63.5	-0.3 pp.
	Cost of risk (bp.)	72	96	-24 pb.	72	63	+9 pb.
Capital position	CAR (%)	14.61	12.96	+1.64 pp.	14.61	14.48	+0.12 pp.
	Core Tier 1 (%)	13.27	11.71	+1.56 pp.	13.27	13.17	+0.10 pp.

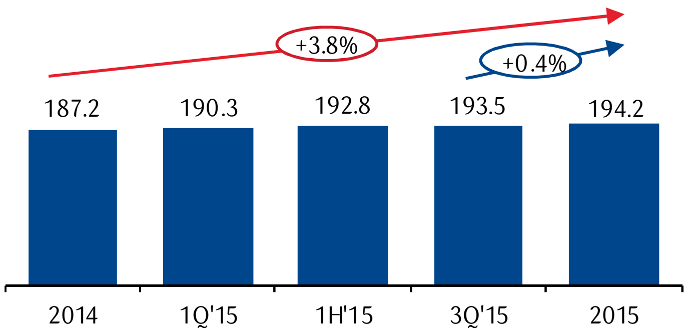
Comparable ratios – calculated excluding one-offs, ie. costs incurred in Q4 2015 in the amount of PLN 479.9 mn (PLN 337.9 mn charge for BFG in connection with the bankruptcy SK Bank and PLN 142.0 mn payment to the Borrower Support Fund)

(1) Administrative expenses of last 4 quarters / result on business activity for last 4 quarters
(2) 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)
(3) Share of loans with recognised impairment in total gross loans
(4) Coverage of loans with recognised impairment with impairment allowances
(5) Ratios on quarterly basis; ROE, ROA, NIM and cost of risk - annualised

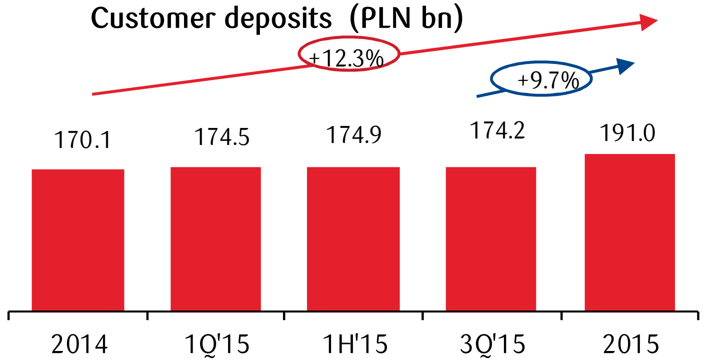
Business volumes

Bank Polski

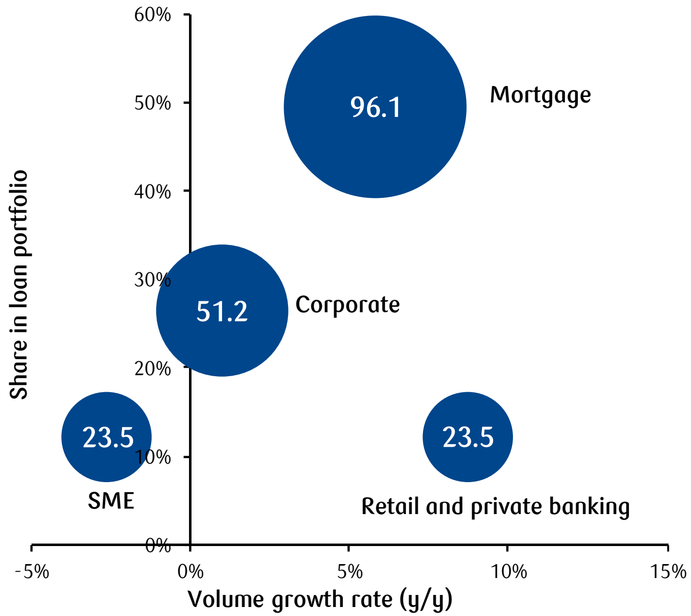
Gross loans (PLN bn)



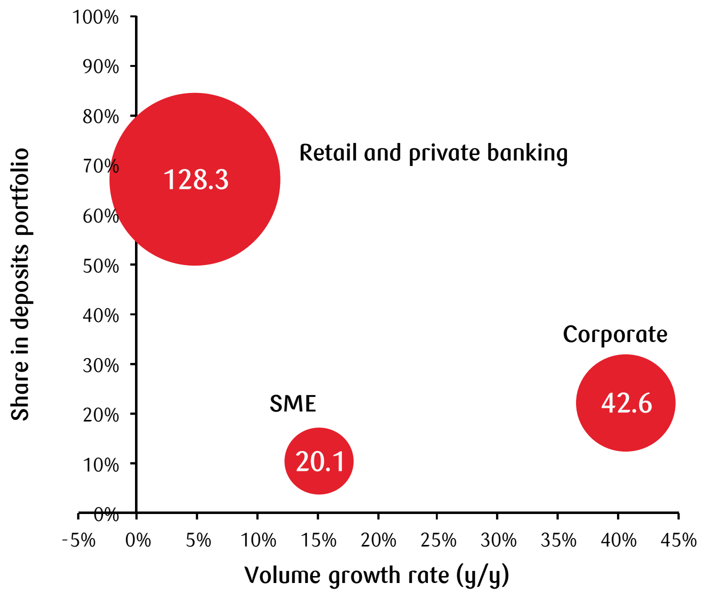
Customer deposits (PLN bn)



Gross loans by business lines (as at 31.12.2015)



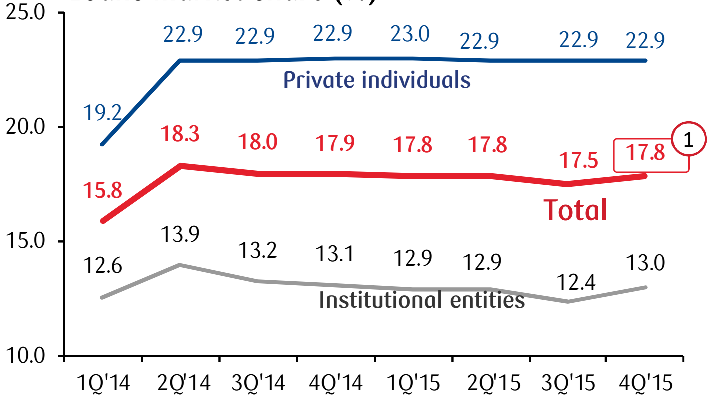
Customer deposits by business lines (as at 31.12.2015)



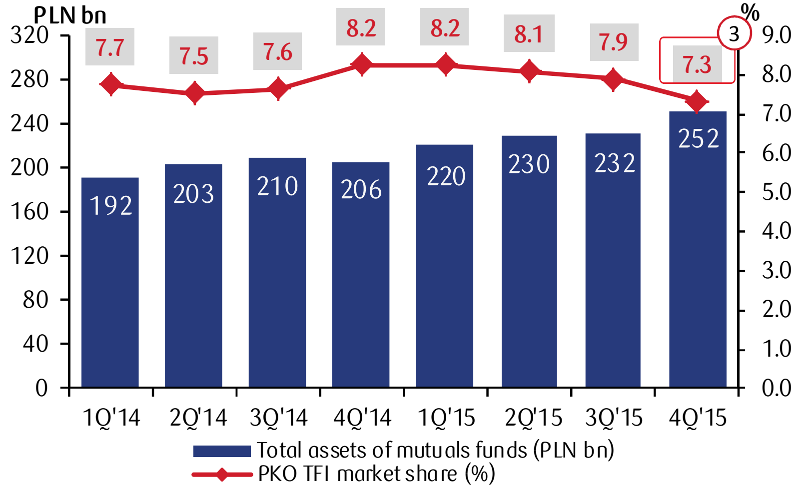
PKO Bank Polski market share

Bank Polski

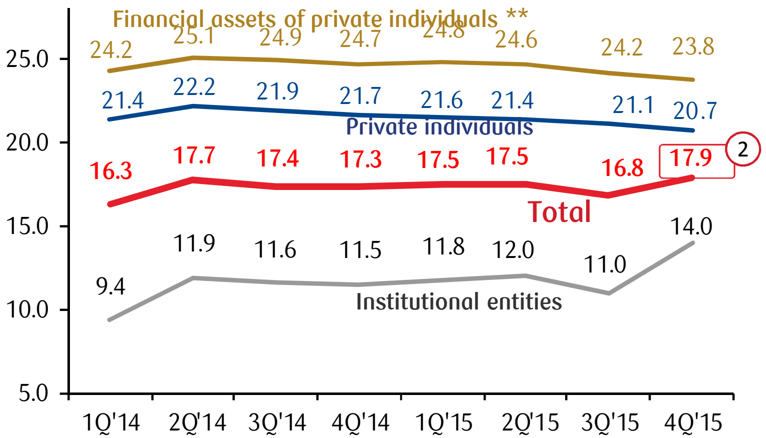
Loans market share (%)



Mutual funds market share



Deposits market share (%)



*) Share in the retail deposits market , including assets of private individuals in PKO TFI

1 The increase in market share of corporate loans by 0.6 pp. q/q mainly by increasing market share in loans of non-monetary financial institutions

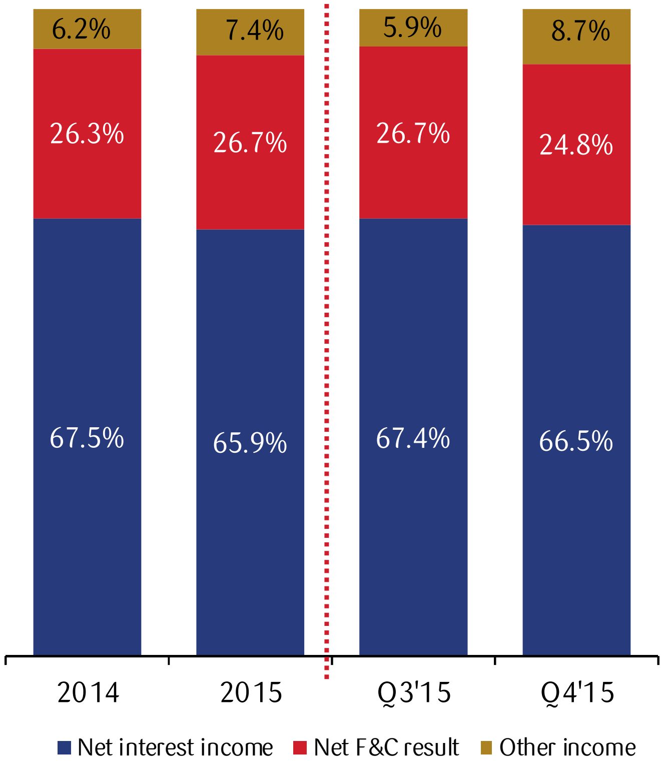
2 The market share of deposits lower by 1.1 pp. q/q due to increase in market share of corporate deposits (+3.0 pp. q/q) accompanied by decrease in retail deposits market (-0.4 pp. q/q)

3 The increase in PKO TFI's assets under management by 8.7% y/y with maintaining the third market position

Result on business activity

Bank Polski

Split of result on business activity

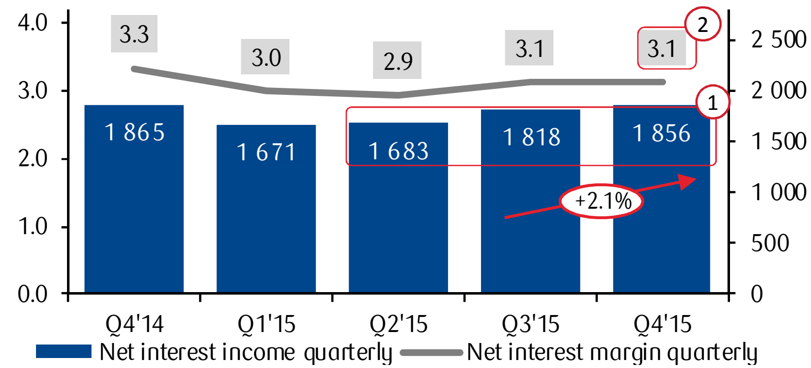


PLN mn	2014	2015	Q3'15	Q4'15	Change y/y	Change q/q
Net interest income	7 523	7 029	1 818	1 856	-6.6%	+2.1%
Net F&C result	2 934	2 851	721	694	-2.8%	-3.7%
Other income	690	786	160	242	+13.8%	+51.3%
Result on financial operations and didvidens	232	139	9	42	-40.0%	+345.1%
Net FX result	236	369	92	110	+56.5%	+19.4%
Net other income	223	278	58	90	+24.7%	+54.6%
Result on business activity	**11 147**	**10 665**	**2 698**	**2 791**	**-4.3%**	**+3.5%**

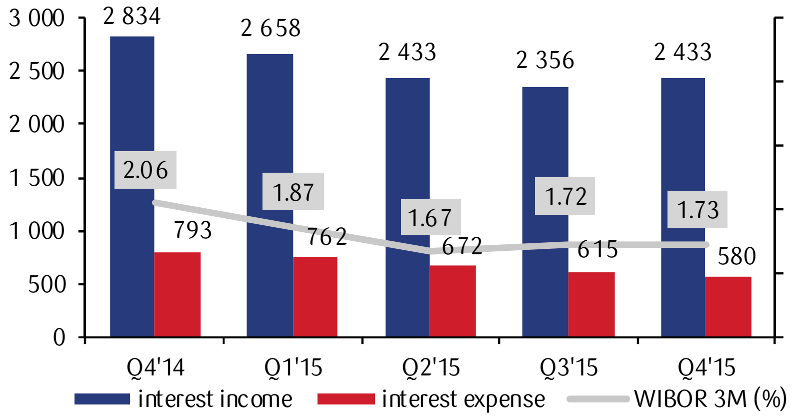
Net interest income (1)

Bank Polski

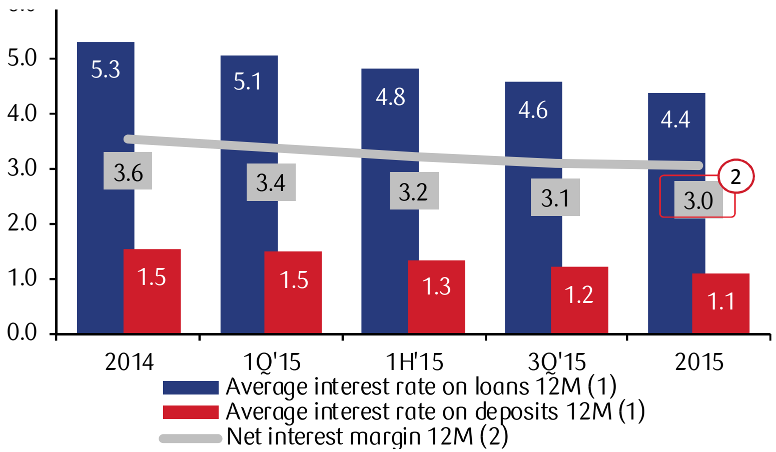
Net interest income (PLN mn)



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 2015 net interest income amounted to PLN 7,029 mn and was PLN 494 mn (-6.6%) lower than last year and was determined by the further decline in the level of market interest rates (for WIBOR 1M and 3M was annualized respectively 0.43 p.p. and 0.34 p.p.), it was partially compensated by an increase in revenues associated with the increase in the loan portfolio and reduction of financing costs.

2

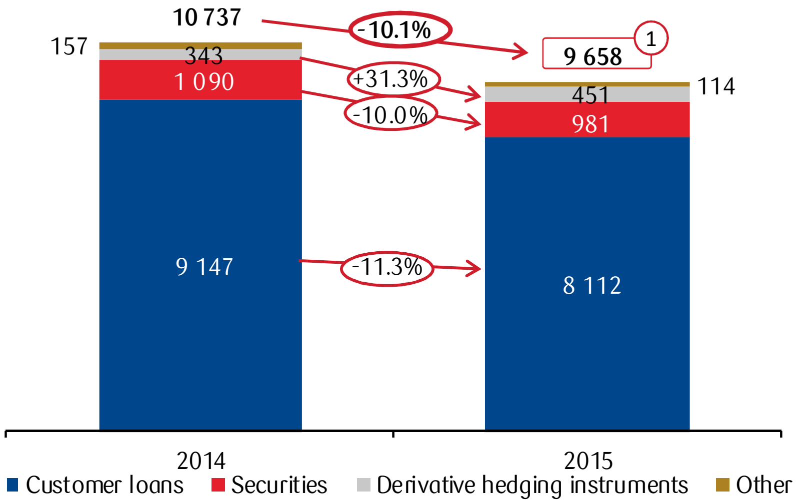
The interest margin declined by 0.6 p.p. y/y to 3.0% at the end of 2015. The increase in interest-bearing assets by 7.8% y/y (mainly portfolio of loans and advances to customers), it did not translated into a corresponding increase in annualized net interest income, staying under pressure of record-low interest rates

(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)

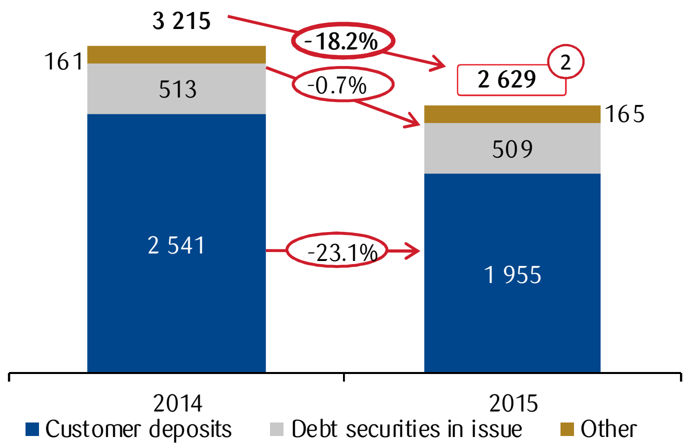
Net interest income (2)

Bank Polski

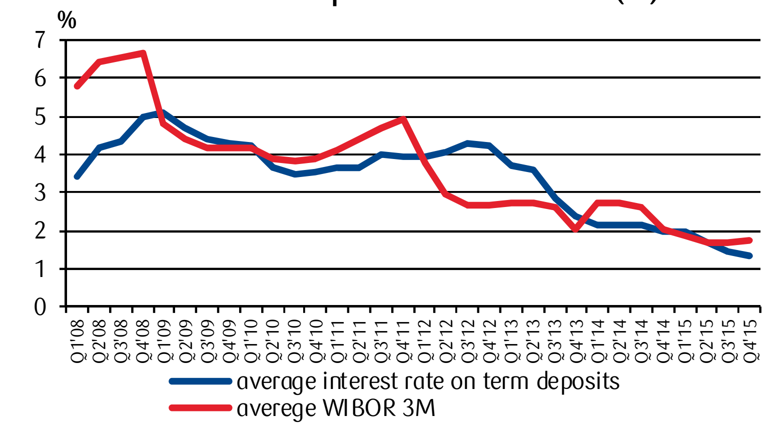
Structure of interest income (PLN mn)



Structure of interest expense (PLN mn)



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



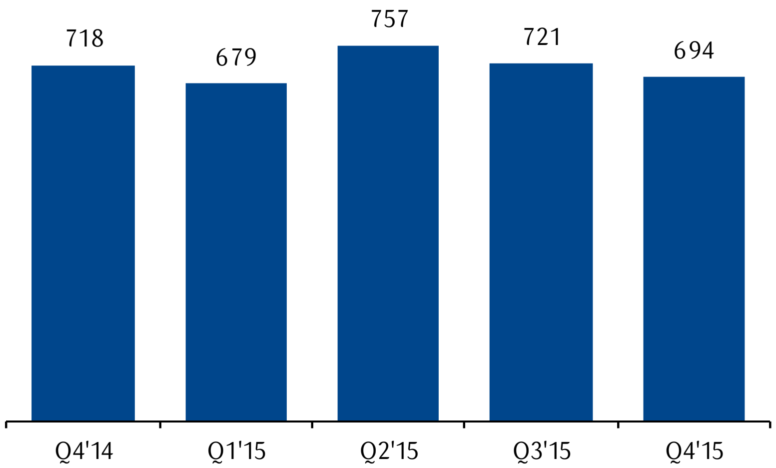
1 Decrease in interest income by 10,1% y/y, mainly due to:
- the decrease in income from loans and advances to customers by 11.3% y/y – the effect of a decline in zloty interest rates, which for WIBOR 1M and 3M was annualized respectively by 0.43 p.p. and 0.34 p.p., reduce in interest rates on consumer loans is based on a 4xLombard formula (from the end of 2013, the maximum interest on loans fell by 6 p.p. from 16% to 10%). This decrease was partially compensated by an increase in the loan portfolio,
- with the increase in income from hedging derivatives by 31.3% y/y, mainly IRS transaction in PLN

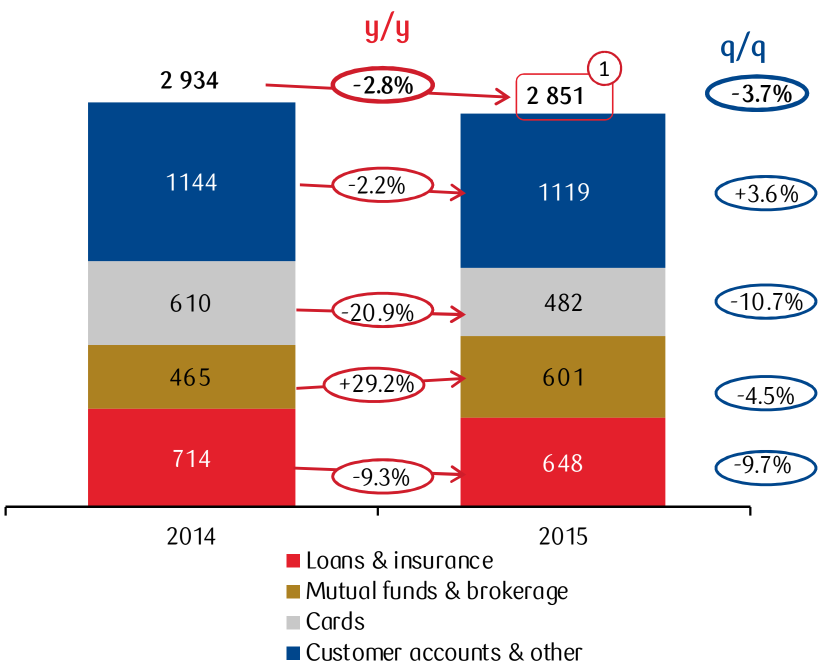
2 The decrease of interest expense by 18.2% y/y mainly due to a lower average interest rates on deposits as a result of lower market interest rates and adjusting pricing of deposit products and changes in the structure of deposits (increase in the share of current deposits)

Net fee & commission income

Bank Polski

Net fee and commission income (PLN mn)



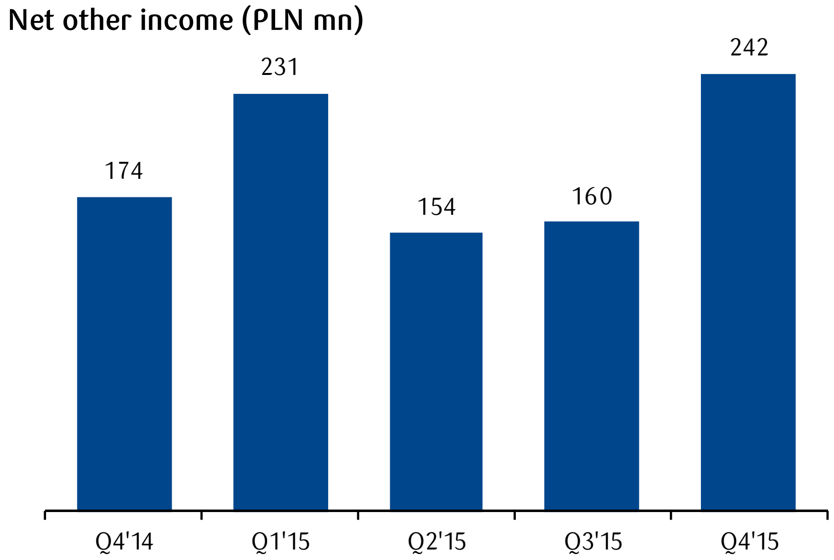


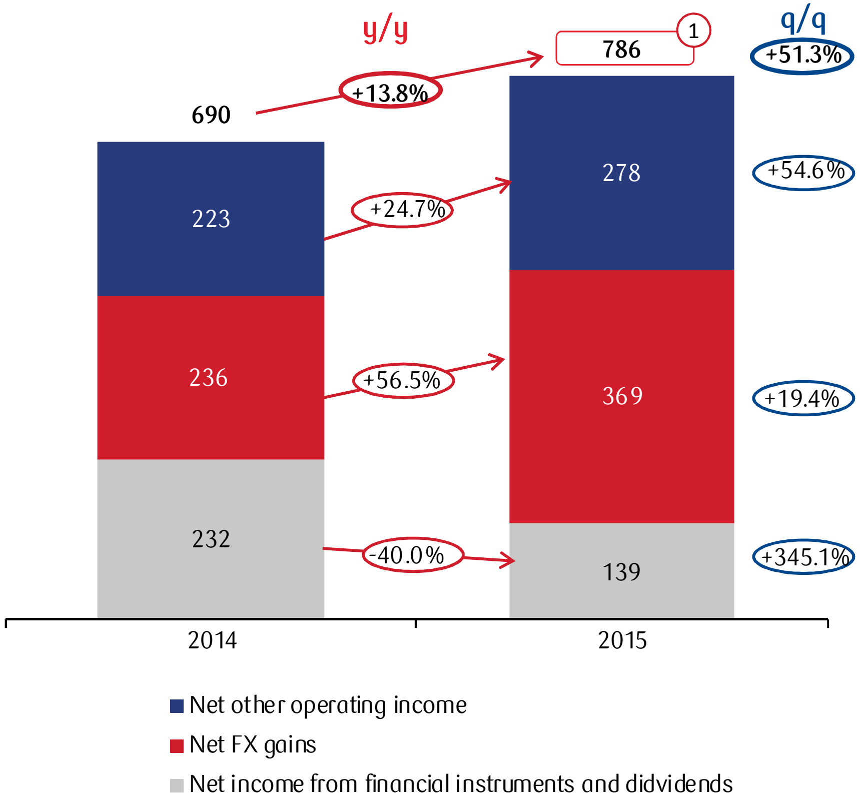
1

The achieved net fee and commission income in 2015 was largely determined by:

– a decrease of card payments , mainly due to decrease in commissions for interchange fee, as a consequence of the mandatory reduction of the interchange fees by the payment organizations to 0.2% for debit cards and 0.3% for credit cards since early 2015 - lower commissions in were accompanied by an increase in card volume transactions,
– a decline in fee income from loan insurance, mainly due to decrease in commissions from insurance of consumer loans,
– a decrease in income from operating bank accounts and cash operations in connection with the development of electronic banking,
– an increase in commission income from services for investment and pension funds (including management fees) as an effect of growth of assets under management
– an increase in income from loans and borrowings as a result of an increase in sales of loans,
– an increase in income from investment and insurance products, as a result of enlargement of the Group by insurance company since the second quarter of 2014 and extended product range of the Group by investment and insurance products

Net other income





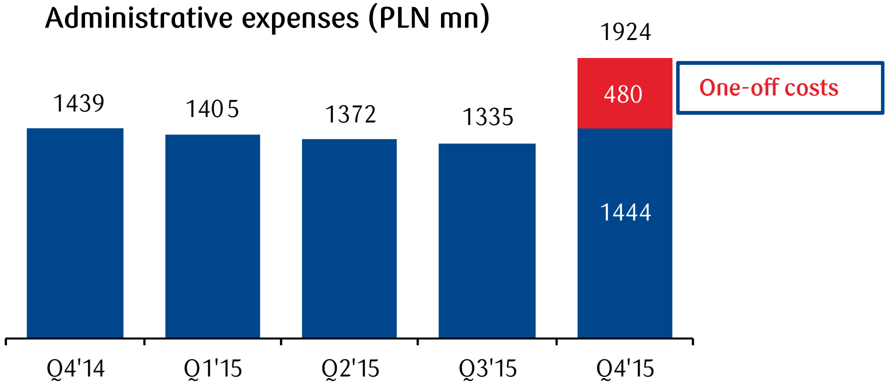
1 An increase on net other result by 13.8% y/y mainly determined by:

- an increase in net foreign exchange gain of PLN 133.3 mn,
- improvement in the result on other operating activities of PLN 54.9 mn, mainly due to the increase in net distribution policies, which at the level of the Group is presented in the category as other result of insurance activities,
- the lower results achieved from investment securities and instruments measured at fair value by a total of PLN 96.9 mn, determined by the situation on the Polish debt market

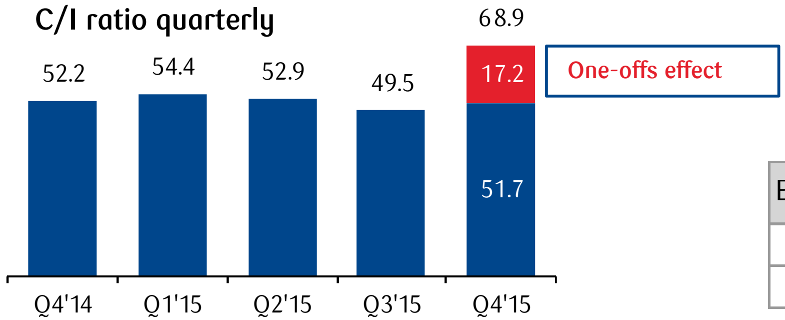
Administrative expenses

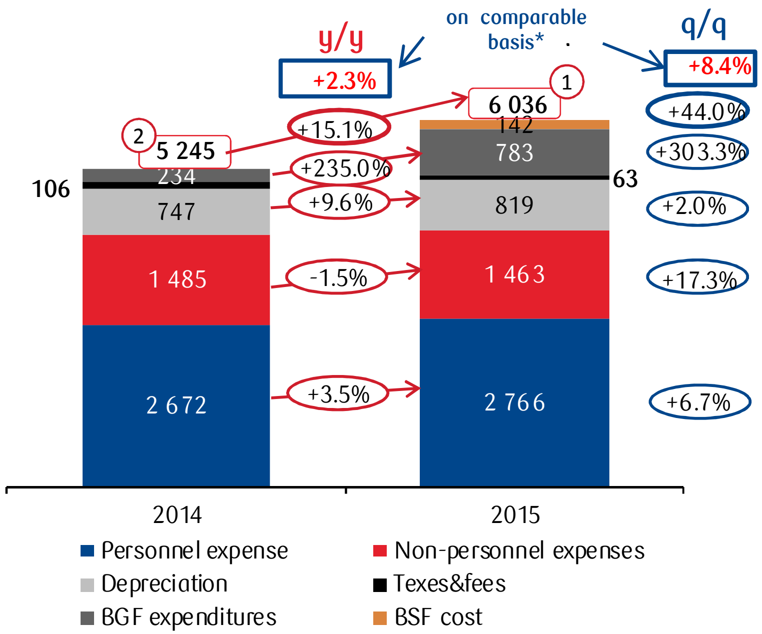
Bank Polski

Administrative expenses (PLN mn)



C/I ratio quarterly





Employment eop (FTEs)	2014	2015	Change y/y	
			FTEs	%
Bank	25 927	25 909	-17	-0.1%
Group	29 032	29 221	189	0.7%

1 In 2015 administrative expenses increased by 15.1% y/y (+2.3% excluding increase in BGF fee rate and one-off costs) determined mainly by changes in the PKO Bank Polski SA Group structure from Q2'2014 (of which mainly the purchase of the Nordea Group entities) and by an increase in premiums and fees to the Bank Guarantee Fund of PLN 211.4 mn y/y, mainly due to the increase in interest rates charges of BGF.
Moreover 2015 was loaded with an additional costs related to: creating Borrowers Support Fund (PLN 142 mn) and payment to BGF - payment of guaranteed deposits accumulated in SK Bank (PLN 337.9 mn), which caused the operating efficiency of the PKO Bank Polski SA Group, measured by the annualised C/I ratio, to shape up at the level of 56.6% (+9.5 p.p. y/y). After eliminating the effects of one-offs, the level of the indicator stood at 52.1% (+5.0 pp. y/y)

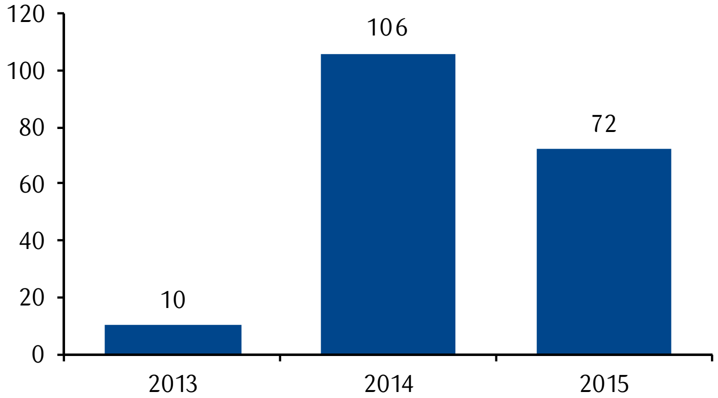
2 In 2014, the cost of exNordea have been included from the second quarter and for the full year would have been higher by approx. PLN 135mn. In comparable terms, which take into account also this factor, in 2015 there was a decrease in costs by 0.3% y/y

*excluding PLN 190 mn of effect of increase in BGF fee rate and one-offs, ie. 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)

PKO Bank Polski and Nordea integration cost and synergies

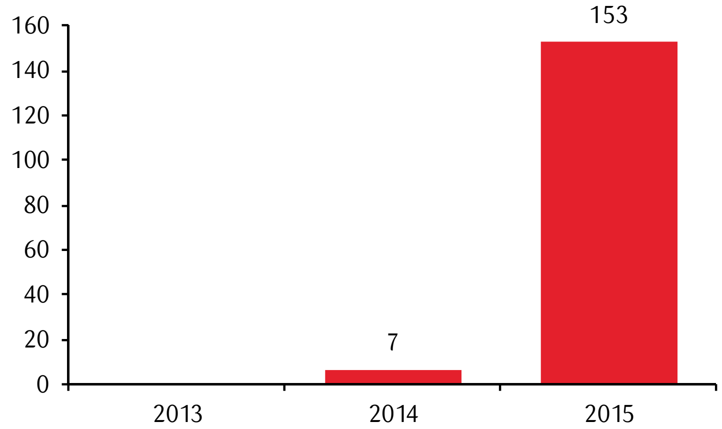
Bank Polski

Integration expenditures (PLN mn)



- Integration project from the spending side has been practically completed
- Total expenditure on integration at less than PLN 200 mn. Total expenses for the integration in the years 2013-2015 amounted to PLN 188 mn
- Expenditure on Integration were PLN 125 mn less than planned in 2013
- The key integration budget items include: IT system migration (over 47%), personnel costs (21%), marketing and communications (6%), real estates (5%) and other with a provision (21%)

Cost synergies (PLN mn)

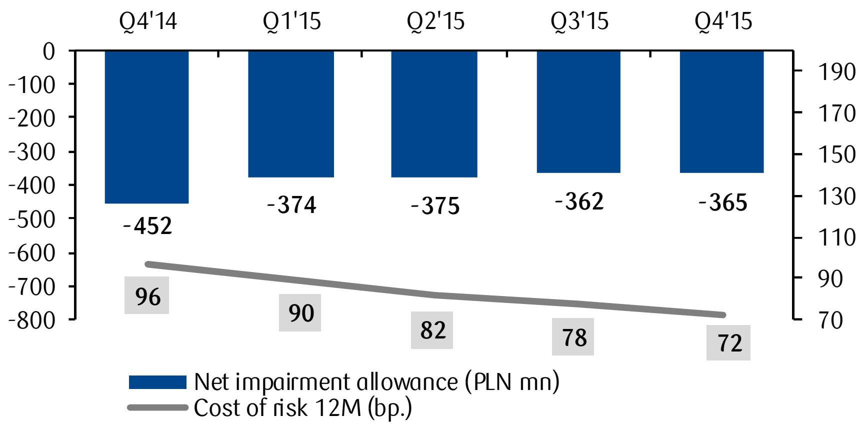


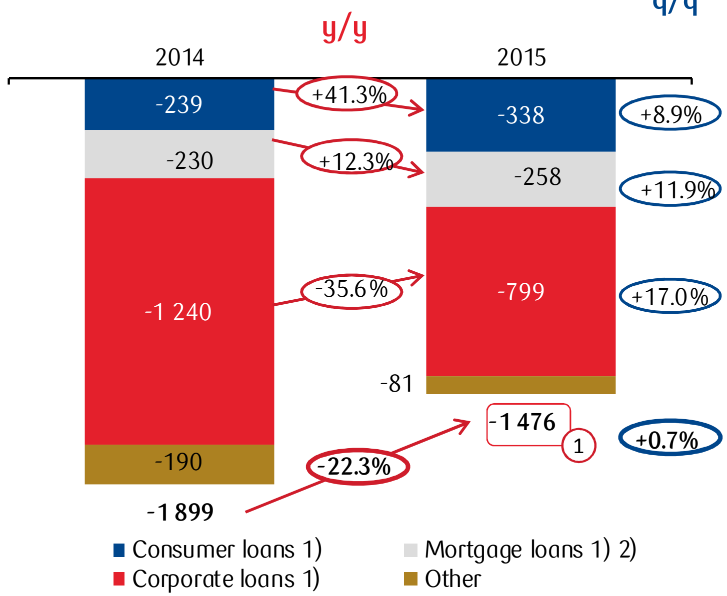
- During 2015 cost synergies were realized in the amount of PLN 153 mn
- The Bank estimates that in 2016 the total cost synergies will amount to PLN 220 mn and will be higher than planned by PLN 33 mn
- Key cost synergies will be delivered through: integration of the functions such as IT and support and reducing personnel costs
- Integration results show very high efficiency. It was spent only 91 gr for every 1 PLN of fixed savings repeatable every year

Net impairment allowance

Bank Polski

Net impairment allowance and write-offs (PLN mn)





1 The 22.3% y/y improvement in net impairment allowance was mainly due to reduction in write-downs on the portfolio of commercial loans in connection with the improvement of the quality of new loans compared to the older generation

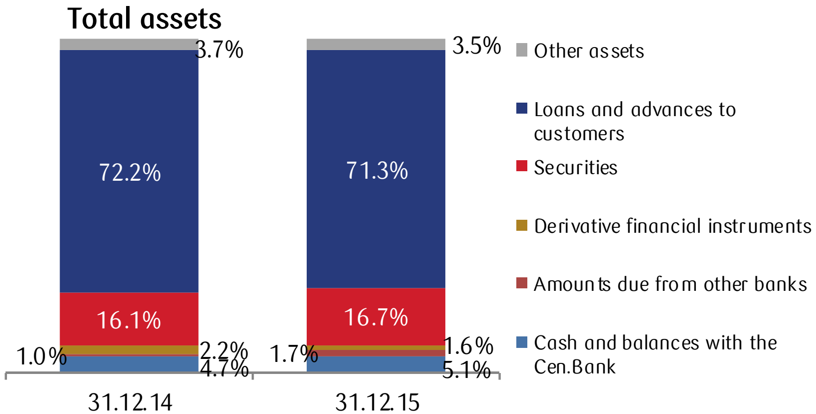
Share of loans with recognised impairment[3)]

	2014	2015	Change y/y
Consumer loans	8.0%	8.5%	+0.5 pp.
Mortgage loans	2.8%	2.7%	-0.1 pp.
PLN	2.5%	2.2%	-0.3 pp.
FX	3.3%	3.5%	+0.2 pp.
Corporate loans	11.6%	10.8%	-0.8 pp.
Total	**6.9%**	**6.6%**	**-0.3 pp.**

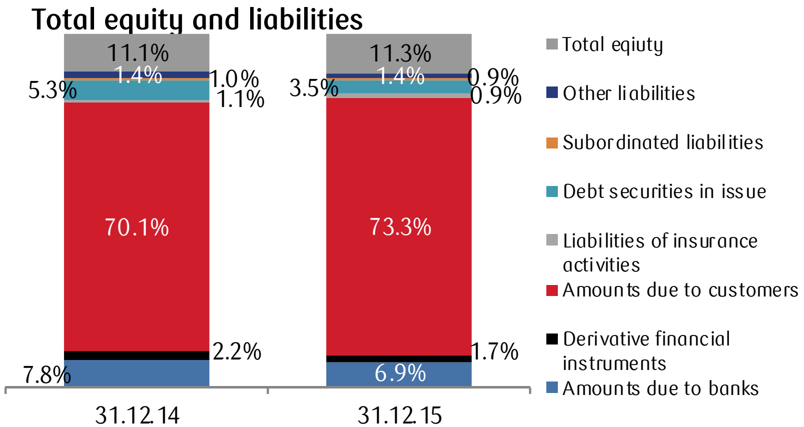
(1) management accounts data (2) Housing loans to individuals
(3) Calculated by dividing the gross carrying amount of impaired loans and advances to customers by the gross carrying amount of loans and advances to customers

Consolidated statement of financial position

Bank Polski



PLN bn	31.12.14	31.12.15	Change y/y
Cash and balances with the Cen.Bank	11.7	13.7	+17.1%
Amounts due from other banks	2.5	4.6	+83.1%
Derivative financial instruments	5.5	4.3	-20.9%
Securities	40.2	44.5	+10.7%
Loans and advances to customers	179.5	190.4	+6.1%
Other assets	9.3	9.4	+1.1%
Total assets	**248.7**	**266.9**	**+7.3%**



PLN bn	31.12.14	31.12.15	Change y/y
Amounts due to banks	19.4	18.3	-5.7%
Derivative financial instruments	5.5	4.6	-16.6%
Amounts due to customers	174.4	195.8	+12.3%
Liabilities of insurance activities	2.7	2.4	-10.4%
Debt securities in issue	13.3	9.4	-29.1%
Subordinated liabilities	2.4	2.5	+3.5%
Other liabilities	3.4	3.7	+9.1%
Total eqiuty	27.6	30.3	+9.6%
Total eqiuty and liabilities	**248.7**	**266.9**	**+7.3%**

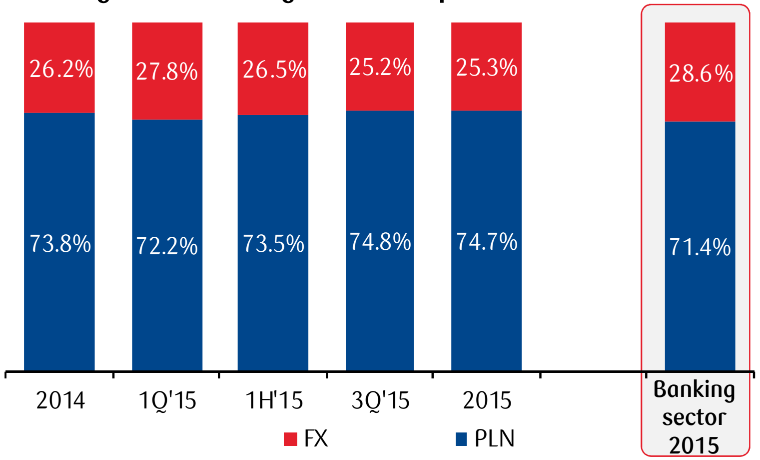
Loans and deposits

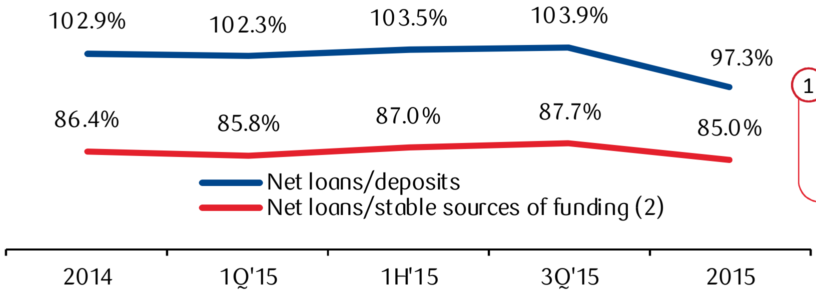
Bank Polski

Gross loans (PLN bn)

2014	1Q'15	1H'15	3Q'15	2015
187.5	190.6	193.7	193.7	198.7

Currency structure of gross loans portfolio

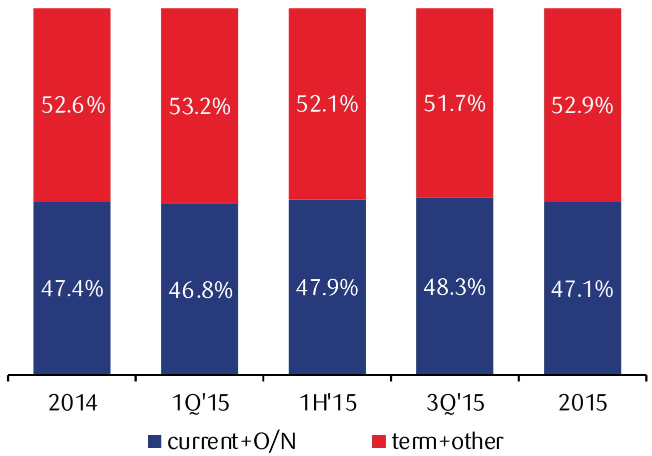




Deposits(1) (PLN bn)

2014	1Q'15	1H'15	3Q'15	2015
174.4	178.4	179.1	178.3	195.8

Term structure of total deposits[1)]



1

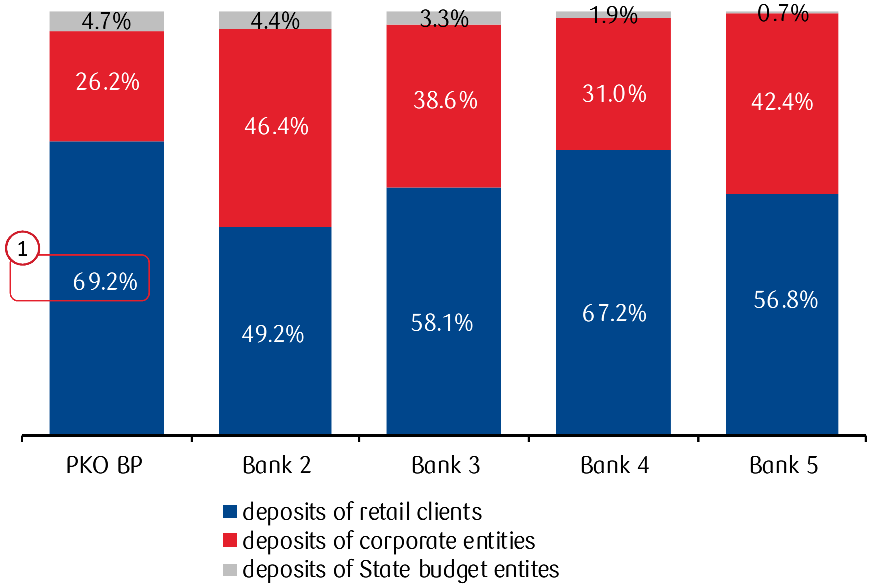
A significant increase in the volume of deposits in 2015 by PLN 17.5 bn q/q mainly due to the increase in the volume of corporate deposits of PLN 11.6 bn q/q

(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.

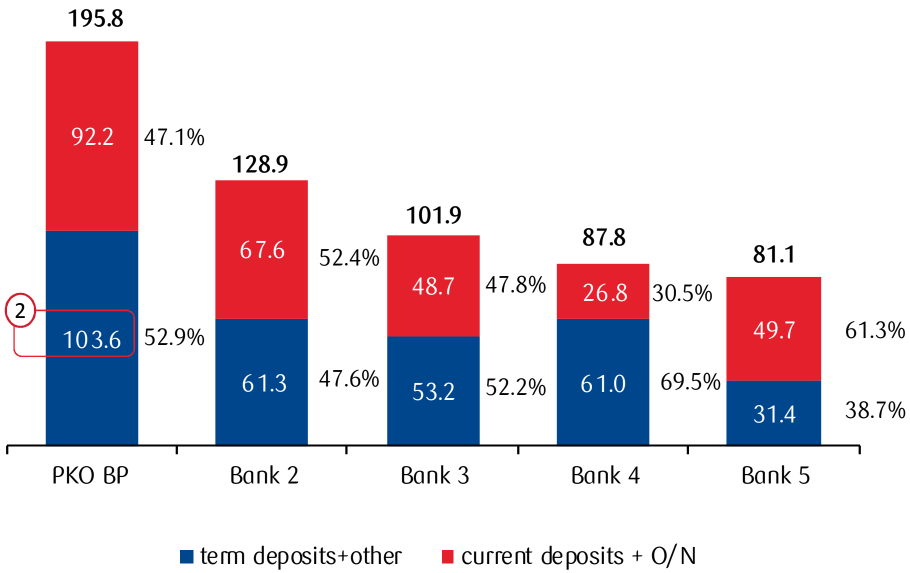
Structure of deposit base as compared to competitors

Bank Polski

Structure of total deposits by client type[1)]
(as at 31.12.2015)



Term structure of deposits in Polish bank portfolios
(as at 31.12.2015, in PLN bn)



1. PKO Bank Polski has the largest share of retail deposits in total deposits base, which means low costs and high stability of the deposit base, but which results in a lower price elasticity of deposits in the short term

2. PKO Bank Polski has the highest volume of term deposits, including significant volume of deposit for a period of up to 12M, which in terms of changes in interest rates in the short-term impact on reducing the possibility of rapid adjustment of interest costs

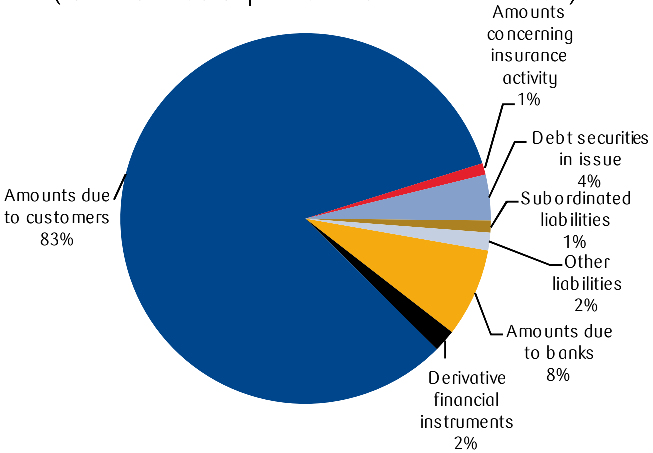
Source: banks' consolidated financial statements

(1) Amounts due to customers

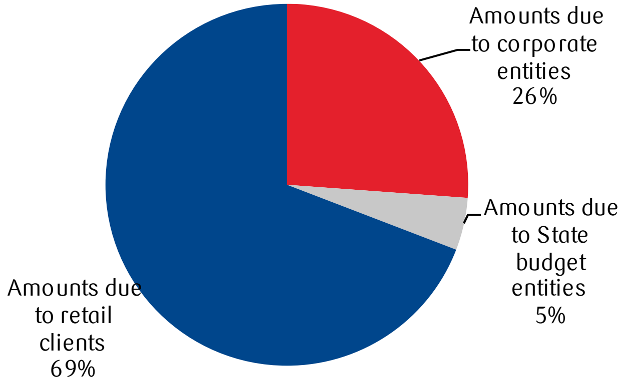
Funding sources

Bank Polski

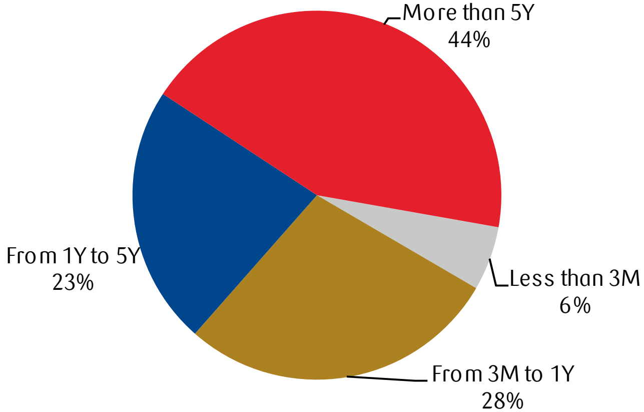
Liabilities structure
(total as at 30 September 2015: PLN 225.3 bn)



Deposit structure
(total as at 30 September 2015: PLN 178.3 bn)

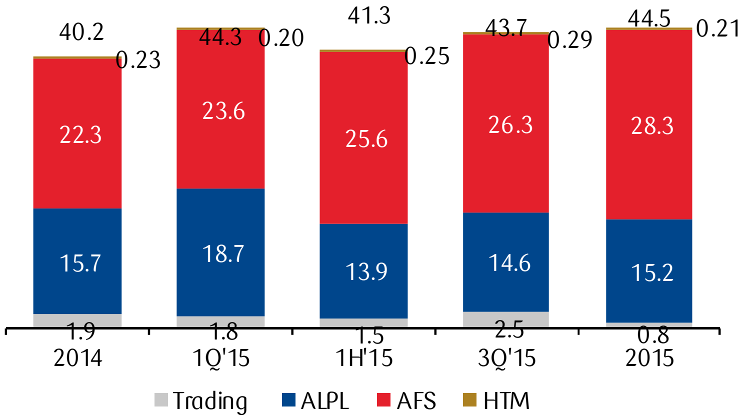


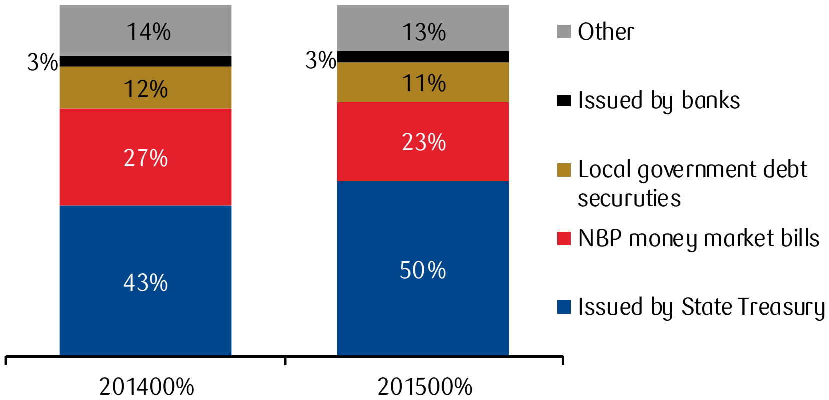
Debt securities structure
(total as at 31 December 2015: PLN 9.4 bn)



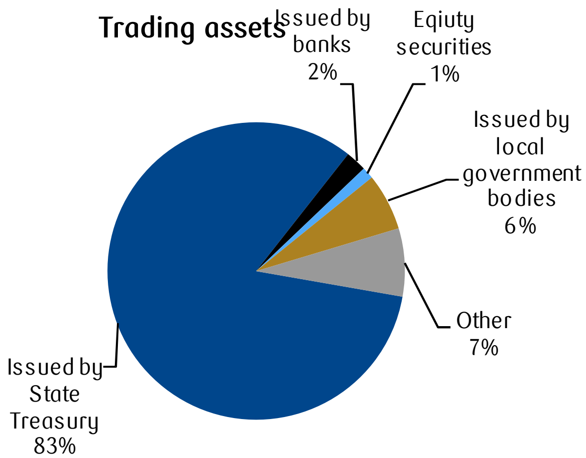
- Retail and corporate deposits are the primary funding source.
- Financing agreements as at the end of 3Q 2015 included:
  - CHF 250 mn 5Y bond issued in July 2011
  - USD 1,000 mn 10Y note issued in September 2012 on the US market under Rule 144A
  - EUR 500 mn 5Y bond issued in January 2014
  - multi-currency (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

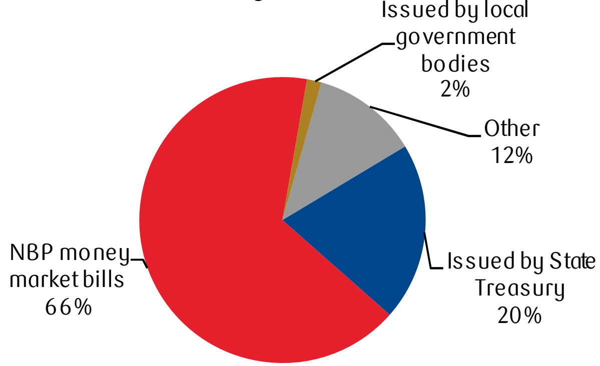
Securities portfolio breakdown

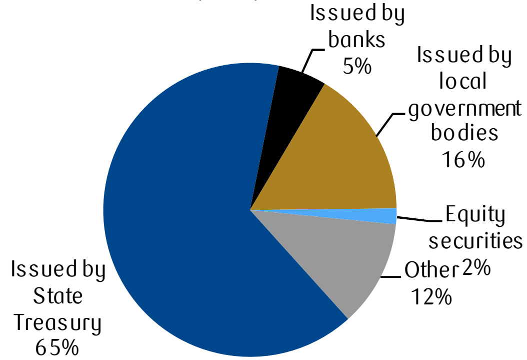




Structure as at the 2015-end







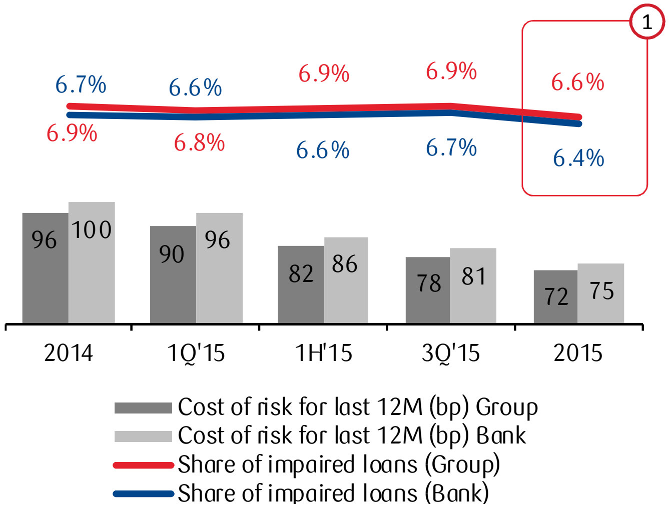
Bank Polski

Risk management

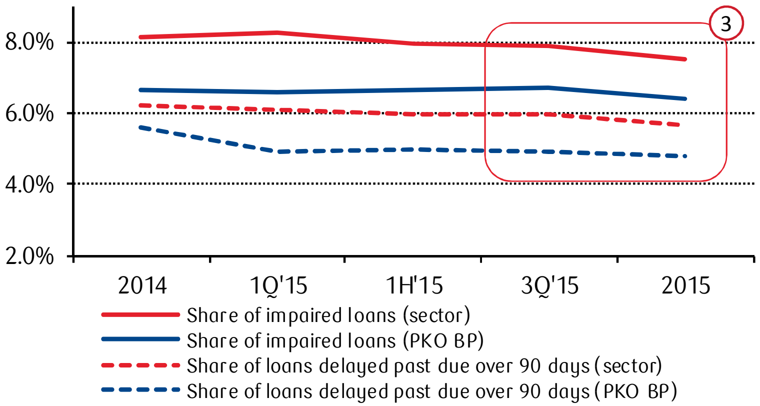
Loan portfolio quality

Bank Polski

Share of loans with recognised impairment and cost of risk

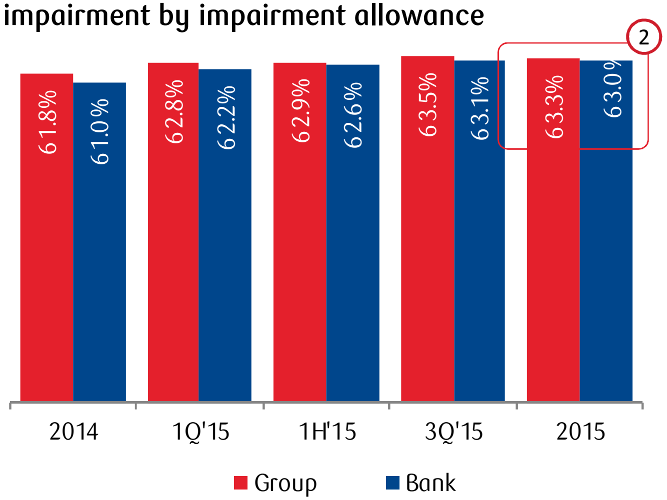


Quality of loan portfolio vs. banking sector



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

Coverage of loans with recognised impairment by impairment allowance



1. Decrease in the share of loans with recognised impairment, both in the Bank and the Group as compared to previous quarter

2. The impairment allowance coverage of loans with recognised impairment at similar level q/q.

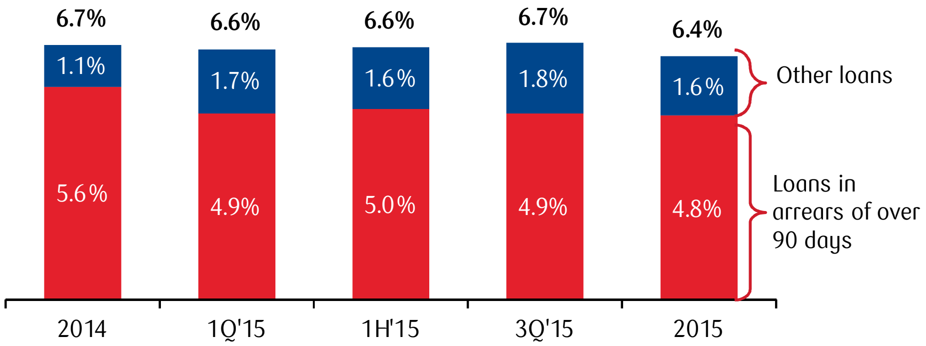
3. Maintenance in the positive loan portfolio quality gap between the Bank and the sector.

Loan portfolio quality

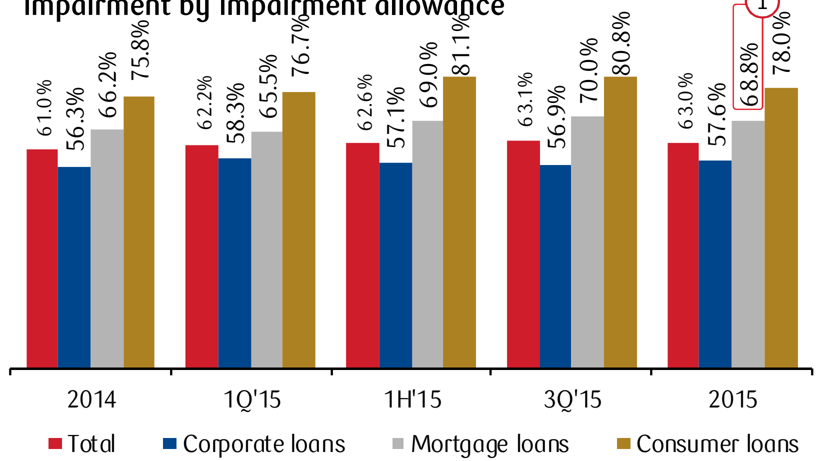
Bank Polski

Standalone data

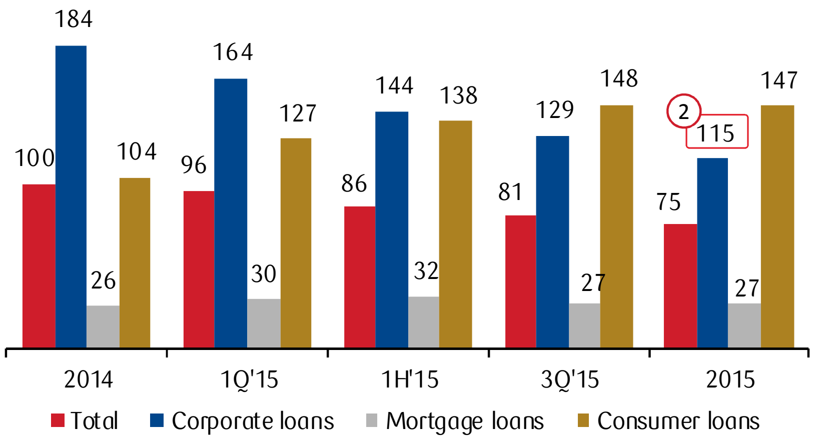
Share of loans with recognised impairment



Coverage of loans with recognised impairment by impairment allowance



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

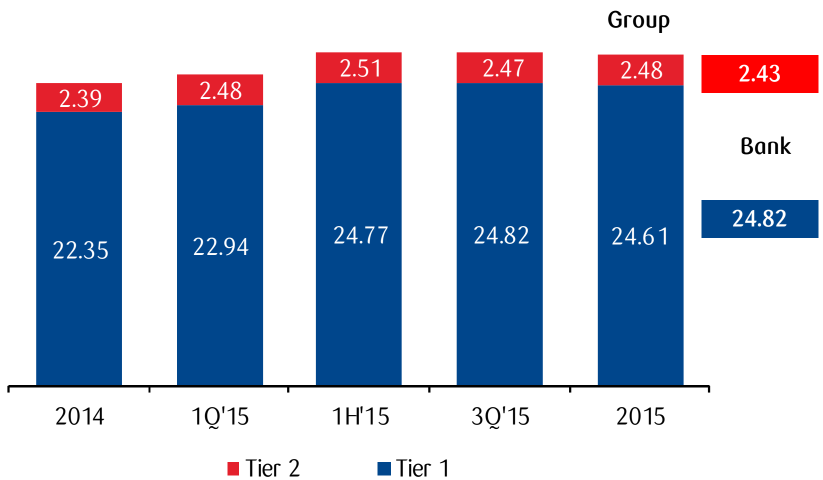


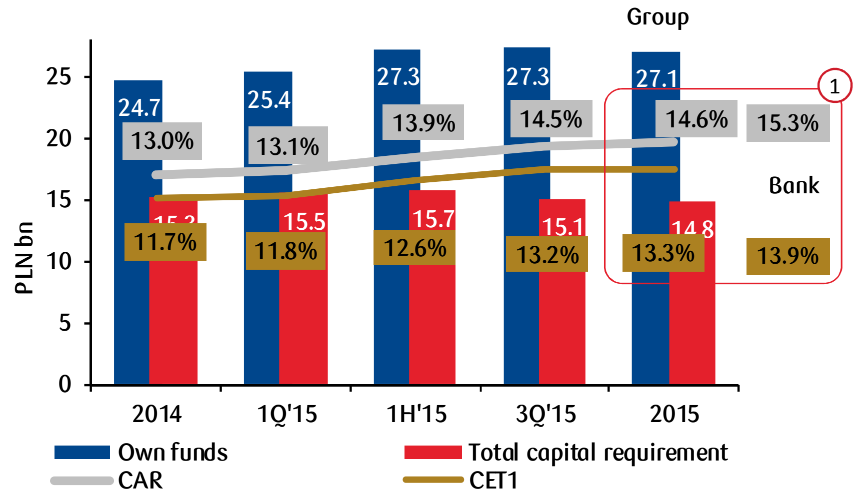
1 Share of loans with recognised impairment and of impairment allowance increased on q/q basis. The highest percentage increase here occurred in the mortgage loans portfolio.

2 Maintenance of the declining trend in the costs of risk of corporate loans had been sustained over the past 12 months. The largest decline on y/y basis was registered in corporate loans (-69 bp).

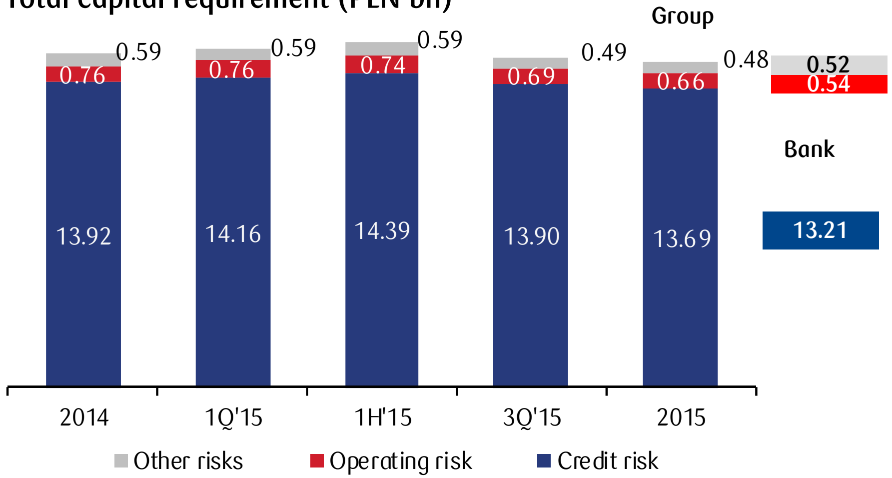
Capital adequacy (1)

Own funds (PLN bn)





Total capital requirement (PLN bn)



1

The Group's solvency ratio at the end of 2015 has been most significantly affected by:

- inclusion of Bank's net profit for the 2014 in the amount of PLN 3.08 bn and the retained earnings from previous years in the amount of PLN 0.13 bn
- risk-weighted assets optimization activities carried out in the 2nd half of 2015.

Increase in the quality of data (i.a. inclusion of SME exposures meeting the segmentation criteria in the retail category) as well as review of off-balance sheet commitments, coupled with verification of products' risk weights proved to be the primary sources of the aforementioned optimization.

Capital adequacy (2/2)

Bank Polski

- **PFSA's recommendations on the dividend policy**
  PFSA recommends for the **dividend payment of up to 50%** of profit generated in 2015 to be available only to those Banks, with a significant market share. In case of PKO Bank Polski if:
  – the CET1 ratio is higher than 13.82%,
  – total capital ratio is higher than 14.01%.
- **Minimum capital ratios**
  PFSA guidelines from October 2015, regarding minimum capital ratios as of 1 January 2016, together with a conservation buffer of 1.25%:
  – 10.25% T1,
  – 13.25% TCR.
- **Additional own funds requirements**
  PFSA's recommendation regarding additional own funds requirements related to foreign-denominated retail mortgages. Capital measures for PKO Bank Polski:
  – 0.57% for Tier 1 capital ratio,
  – 0.76% for TCR capital ratio.

Required capital ratio values

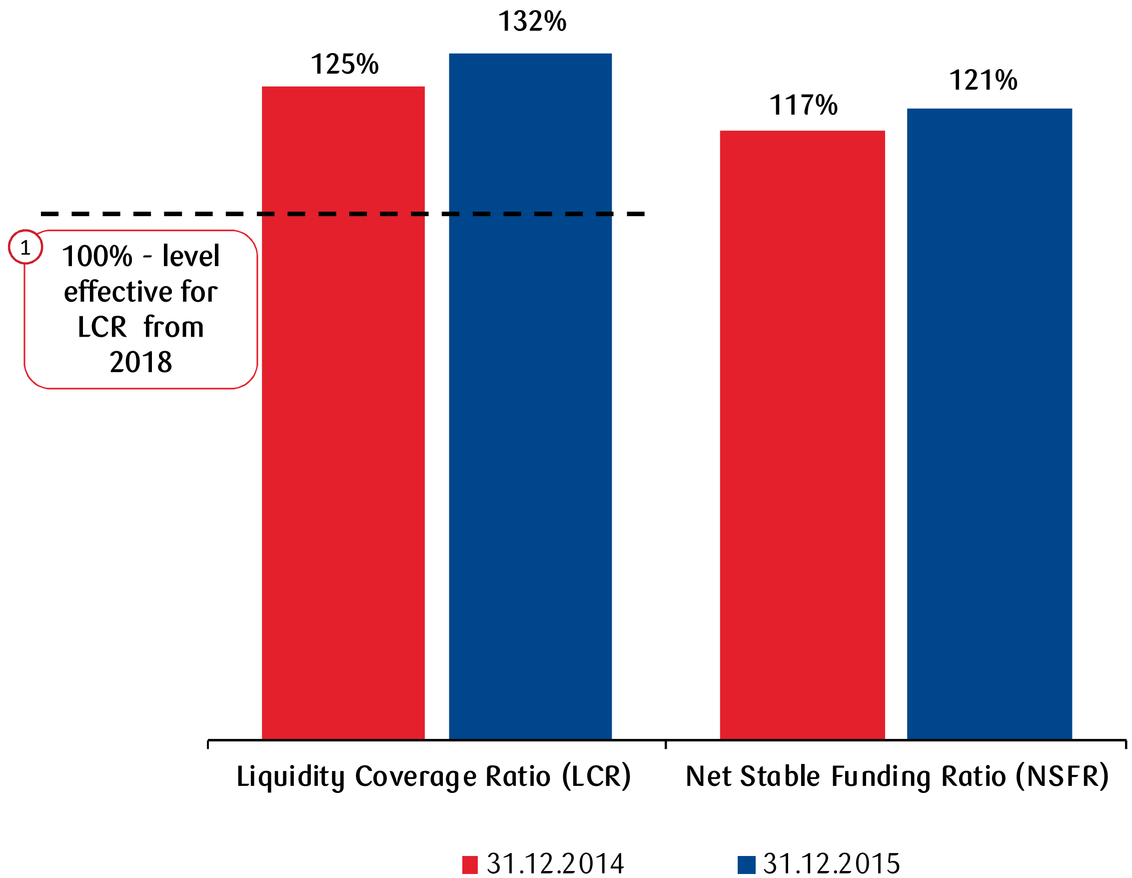
	Minimum capital ratios - PFSA's expectations				
	regulatory/ supervisory			50% dividend payment policy	100% dividend payment policy
	Banking Law / CRR Regulation	PFSA's letter from 2015/10/22 regarding conservation buffer	PFSA's letter from 2015/10/23 regarding additional capital	PFSA's stand as of 2015/12/15 regarding banks' dividend payment	PFSA's stand as of 2015/12/15 regarding banks' divident paymend
Common Equity Tier 1 ratio (CET1)	4,50%				
Tier 1 ratio (T1)*	6,00%	9% + 1.25% = 10.25%	10.25% + 0.57% = 10.82%	13.25%** + 0.57% = 13.82%	13.25% + 0.57% = 13.82%
Total Capital Ratio (TCR)	8,00%	12% + 1.25% = 13.25%	13.25% + 0.76% = 14.01%	13.25% + 0.76% = 14.01%	16.25% + 0.76% = 17.01%

** PKO BP's CET1=T1*

*** T1 ratio level recommended by the PFSA has been increased by an additional 3 percentage points of conservation capital (10.25% + 3% = 13.25%)*

Liquidity ratios

Bank Polski



1

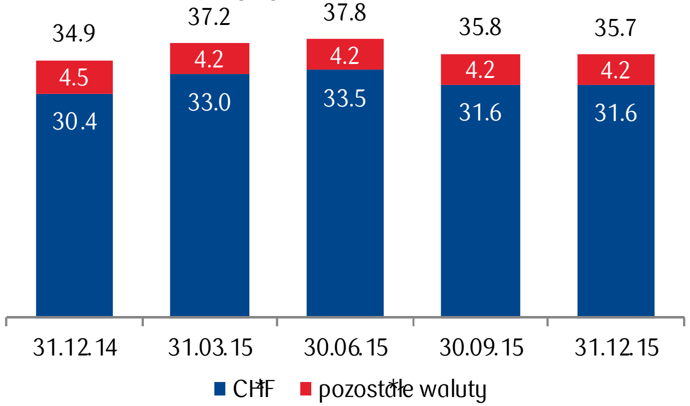
According to Capital Requirements Directive IV / Capital Requirements Regulation ,implemented as at 31 March 2014, the minimum LCR levels to be maintained are:

- 60% as of 1 October 2015
- 70% as of 1 January 2016
- 80% as of 1 January 2017
- 100% as of 1 January 2018

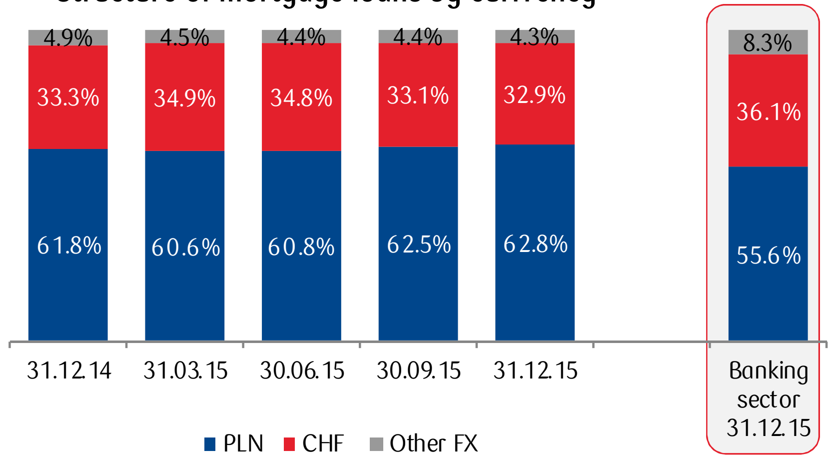
CHF denominated mortgage loans portfolio

Bank Polski

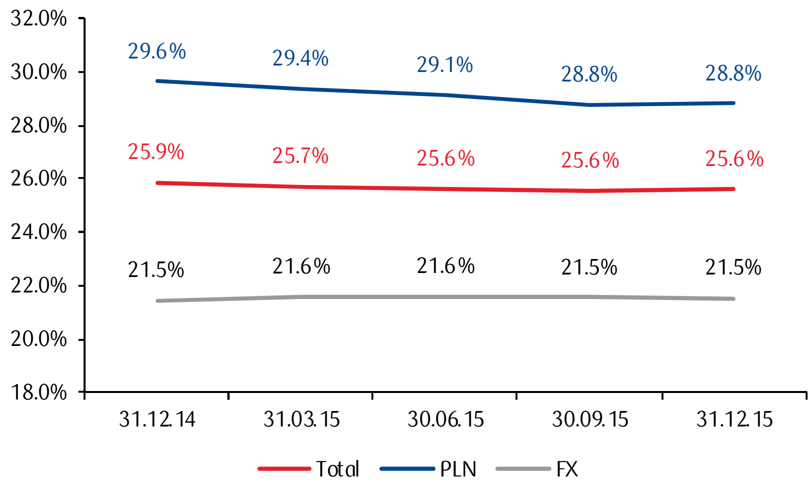
Volume of FX mortgage loans (PLN bn eop)



Structure of mortgage loans by currrency



Market share of FX mortgage loans



<u>Relief measures vis-a-vis the Bank's customers with mortgage loans in CHF:</u>

1) Inclusion of negative CHF LIBOR rate values in setting of the mortgage banking product rates;
2) Interim relief measures effective until the end of 2015 and extended until end-1H'16:
   - Reduction of the currency spread rate to 1% for the mortgage banking products denominated in CHF;
   - Enabling extension of lending tenors without any additional fee or charge;
   - Refraining from actions aimed at seeking additional loan collateral;
   - Enabling loan currency conversion at average NBP rate as at the date of the loan agreement annex signature (at no additional charge);
   - An additional relief for CHF borrowers, including reimbursement to them of a part of their principal repayments whenever the negative reference rate exceeds the Bank's margin.

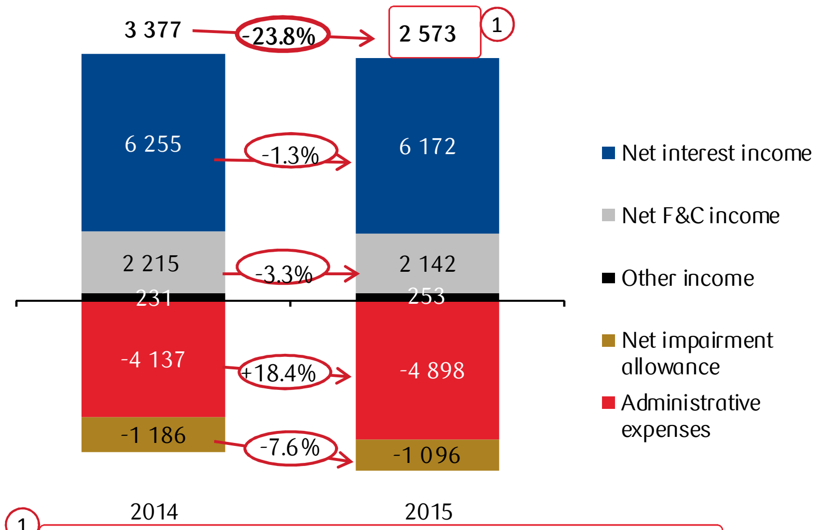
Bank Polski

Business activity

Segment results
Retail Banking

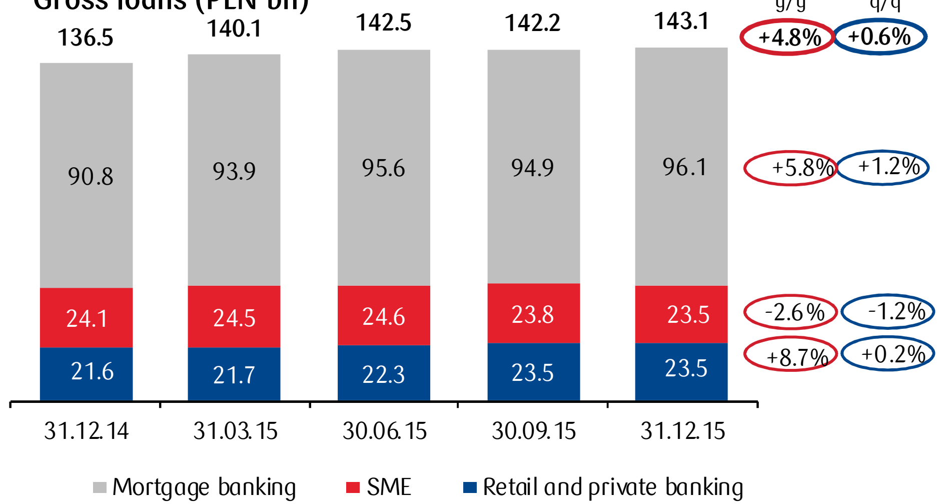
Bank Polski

Gross financial result of retail segment (PLN mn)

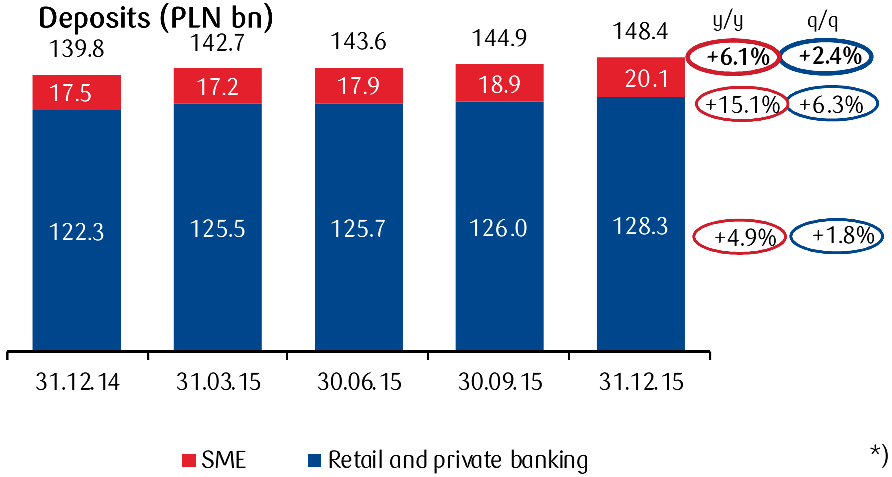


1 Decrease of financial result mainly due to cost one-offs

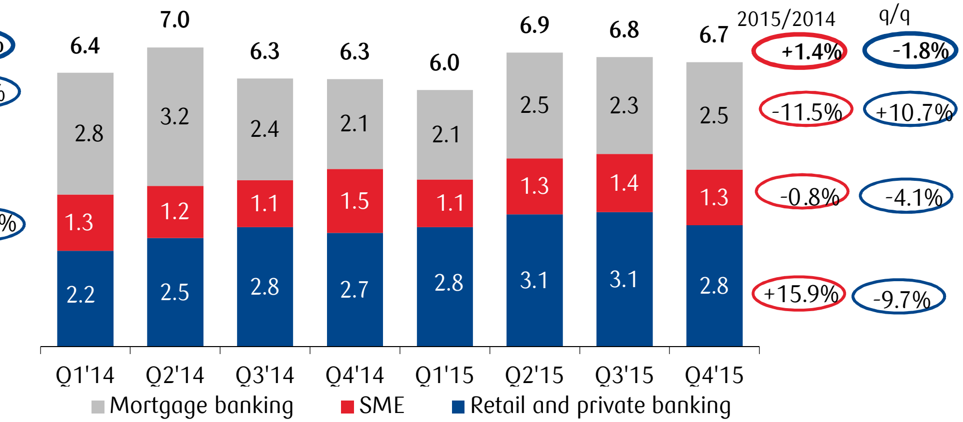
Gross loans (PLN bn)



Deposits (PLN bn)



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

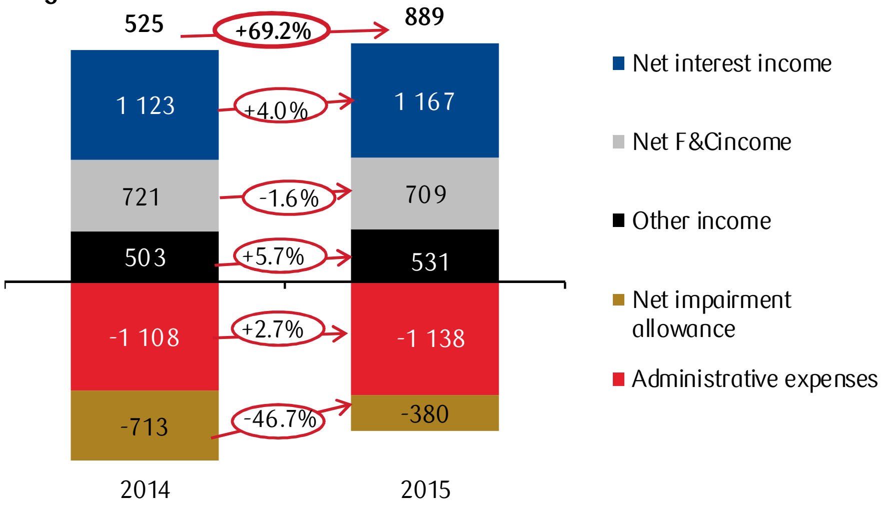


*) Does not include renewals of SME loans, which in 2015 amounted to ca PLN 4 bn

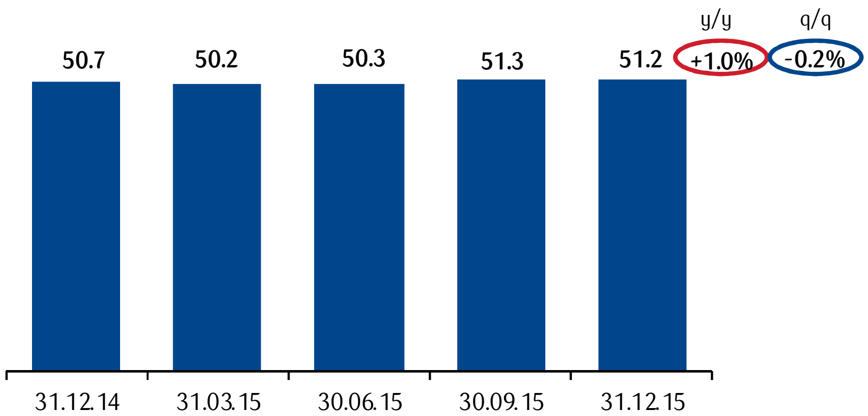
Segment results
Corporate and Investment Banking

Bank Polski

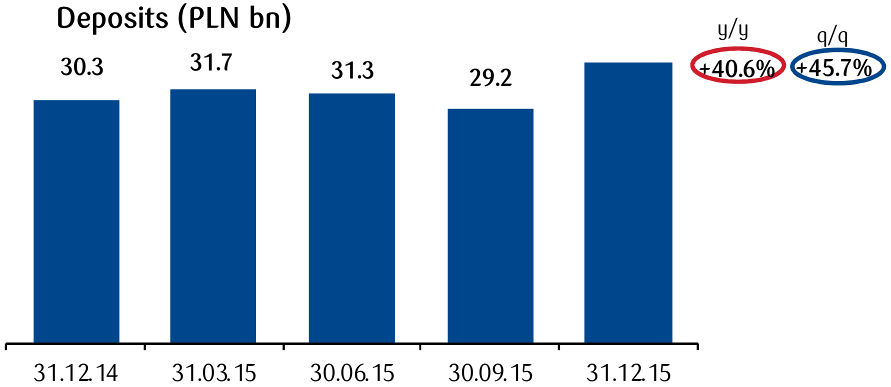
Gross financial result of the corporate and investment segment in PLN mn



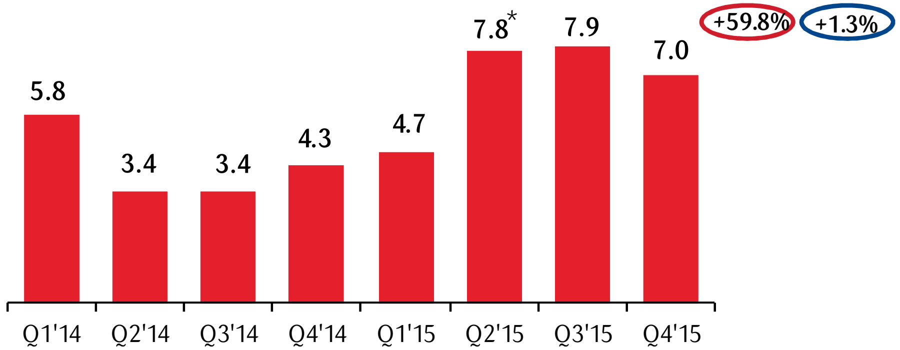
Gross loans (PLN bn)



Deposits (PLN bn)



New loan sales (PLN bn), standalone data



*) Part of the increase in new sales in Q2'15 related to the operational merger carried out in April 2015 - framework agreements related to exNoBP accounts were registered in the IT system with the April date, which increased the total amount of new sales

Bank Polski

Additional information

Overview of KREDOBANK strategy execution

Bank Polski

Implementation of the Strategy and Management in Crisis Conditions in the years 2013 - 2015	Achievements in 2015

Strategy Implementation

- Concentration of business in Lviv, West Ukraine and in Kiev
- Focus on retail and SME customers
- Development of card business and electronic banking
- Rebranding the Bank
- On-going upgrade of the sales network
- Streamlining of the lending process

Active Management of the Bank in Crisis Conditions

- Selective growth of lending business
- Maintenance and growth of the deposit base in crisis conditions
- Active management of the FX position and the net FX income while UAH underwent devaluation
- Disposal of redundant property and reduction in intangible assets, transfer of non-performing loans to an SPV
- Liquidation of business in Crimea and in the ATO zone
- Active monitoring of capital, liquidity, asset quality and operational risks in the bank's business
- Support from PKO Bank Polski in the form of liquidity line
- Capital injection

Market Position

- The most financially reliable bank (appared twice in ranking lists by Forbes, ranking MinFin)
- #6 bank in Ukraine by after-tax profit (Q1-Q3 2015)
- One of top 3 banks in Lviv, in top 10 in the Western region
- #23 bank in Ukraine by equity
- Leader in car loans

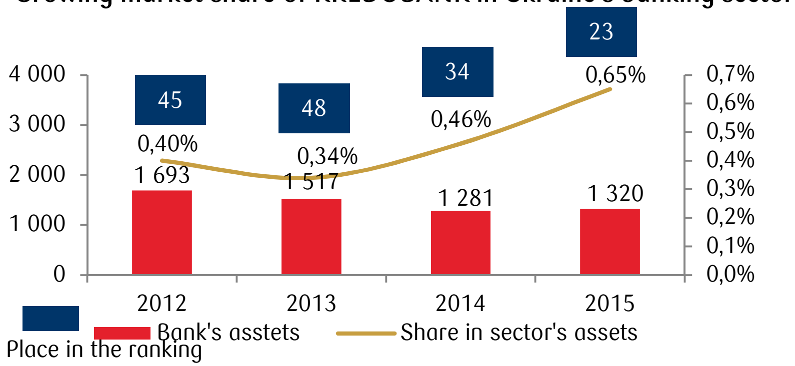
Business

- Doubled the volume of corporate business by selective growth and acquiring reliable customers
- Doubled inflows into current accounts of retail customers
- Growth in landing to agro sector - 50% of volume in SME segment
- Several-fold increase in FX business volumes
- Acquisition of deposits from the Bank Deposit Insurance Fund
- High profitability on the operational and after-tax level: operating profit of PLN 64 mn in 2015 (PLN 28 mn in 2014), ROE 32% in 2015.
- Significant improvement in cost efficiency in 2015: C/I ratio at 58% vs. 78% in 2014.

Successful stabilisation of results and strategic transformation of KREDOBANK
(data in PLN)

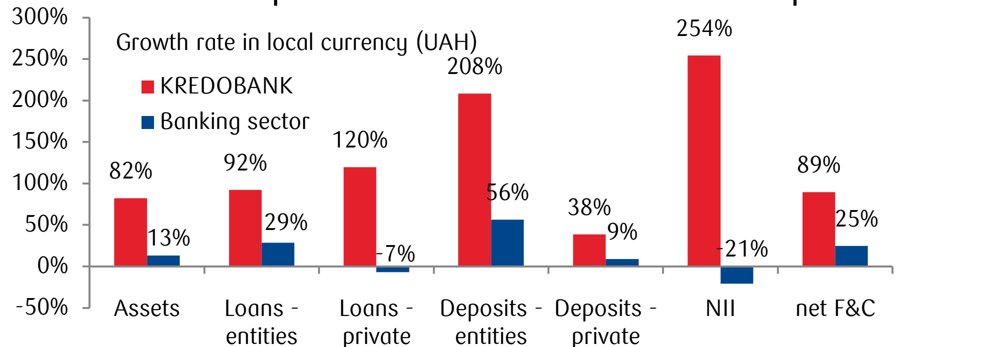
Bank Polski

Growing market share of KREDOBANK in Ukraine's banking sector



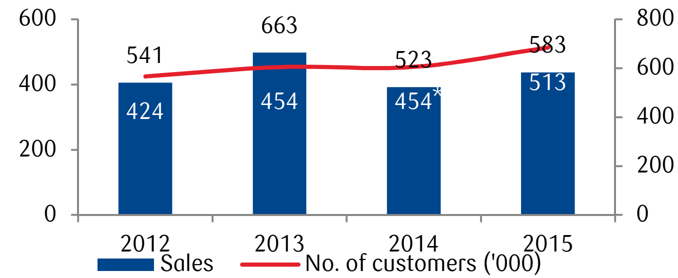
Assets – IAS data, market share – UAS data as at 30.09.2015

Fast business development of KREDOBANK in 2013-2015 as compared to market



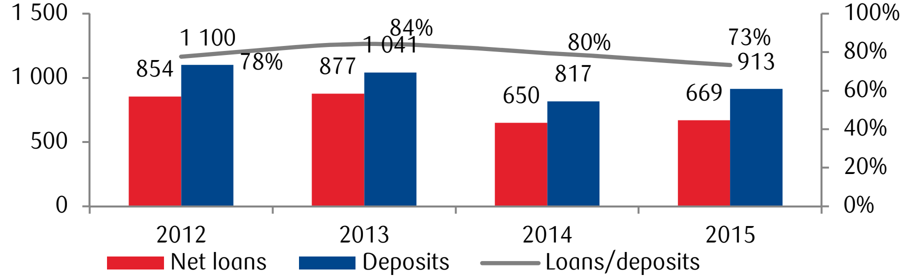
Dane USR

Growth of client base, higher sales activity



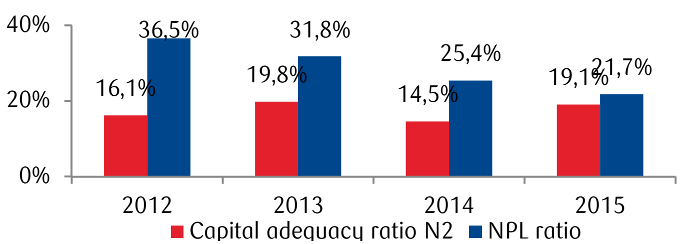
* In 2014 were closed inactive accounts
Sales data by IAS

Growth of loan portfolio safely financed by deposits



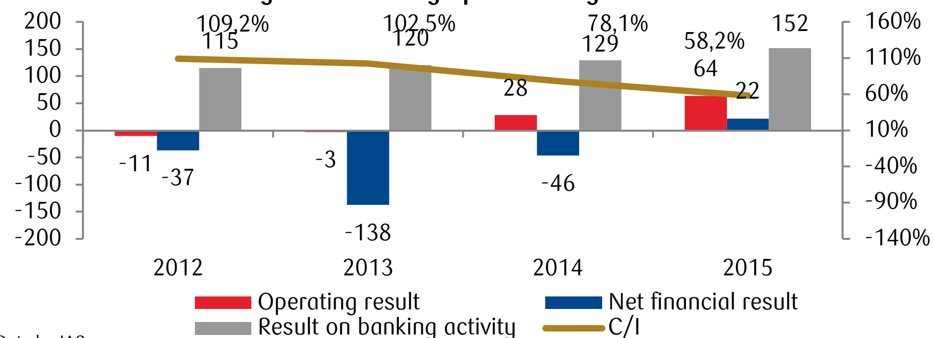
Data by IAS

Improvement of loan portfolio quality and capital base



N2 ratio- UAS data, NPL ratio – IAS data

Increase in net banking result and high profitability



Data by IAS

PKO Bank Hipoteczny
Attainment of Strategic Goals

Bank Polski

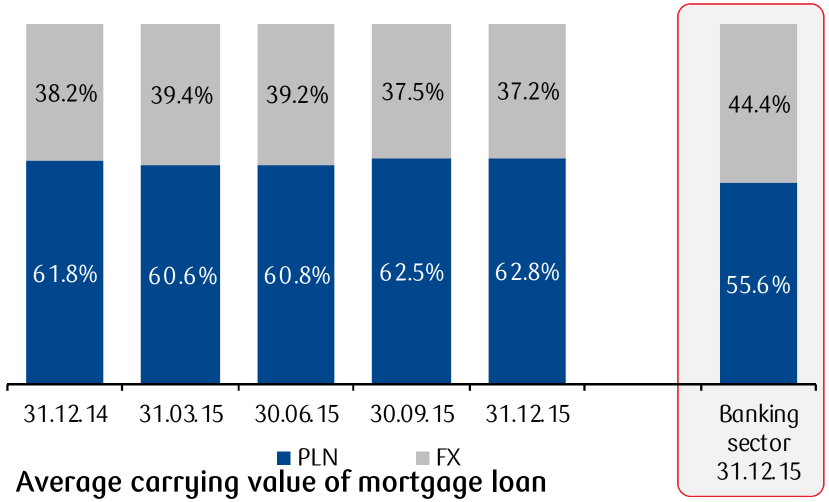
GOAL	ACCOMPLISHMENT 2015	PLAN 2016
To raise long term funding for PKO Bank Polski Group	• The launch of the domestic covered bonds issue programme (12.11.2015) • Pilot issue of covered bonds (11.12.2015)	• Benchmark issue of covered bonds in PLN (Q2 2016) • Benchmark issue of covered bonds in a foreign currency (2H2016)
High level of security of covered bonds issued by PKO Bank Hipoteczny	• Application of a conservative bank mortgage valuation of real property • Aa3 Rating for covered bonds	• Maintenance of the high quality of PLN-denominated home loans registered as collateral for covered bonds • Maintenance of the rating
Optimum utilisation of the assets of the PKO Bank Polski Group (synergies)	• Close cooperation with PKO Bank Polski (on outsourcing basis), including the group's risk valuation models • Launch of the agency model of sales of mortgage loans (01.04.2015) • Launch of the pooling model of transfer of mortgage loans from PKO Bank Polski (Dec.2015)	• Increased contribution of PKO Bank Hipoteczny to the sales of mortgages by the PKO Bank Polski Group • Further transfer of PLN-denominated home loan portfolios from PKO Bank Polski to PKO Bank Hipoteczny (from PLN 4 bn to 7 bn)

Retail segment – mortgage loans

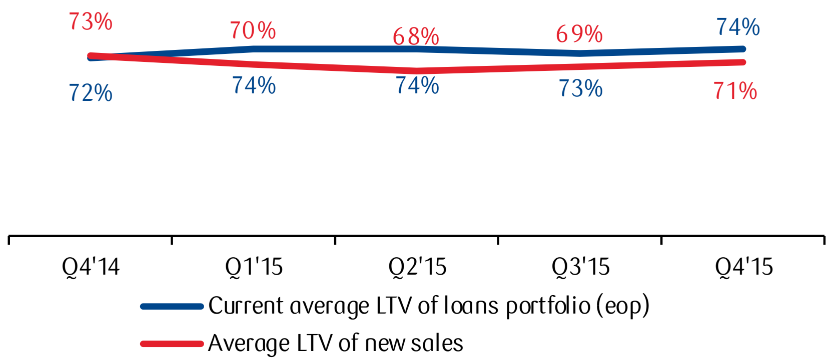
Bank Polski

Standalone data

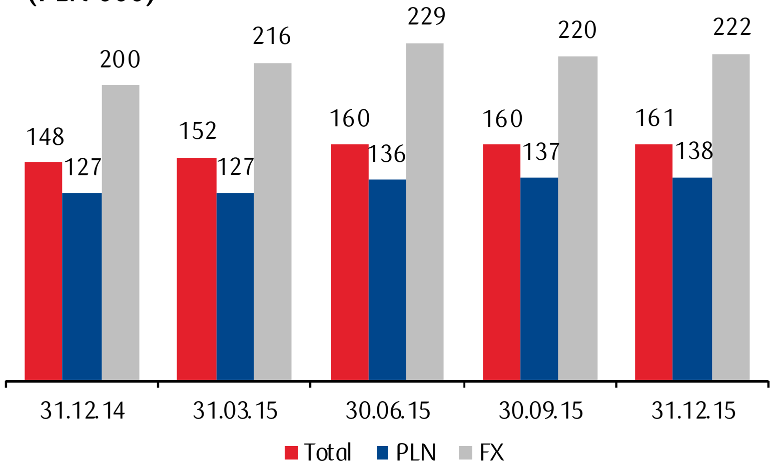
Structure of mortgage loans portfolio



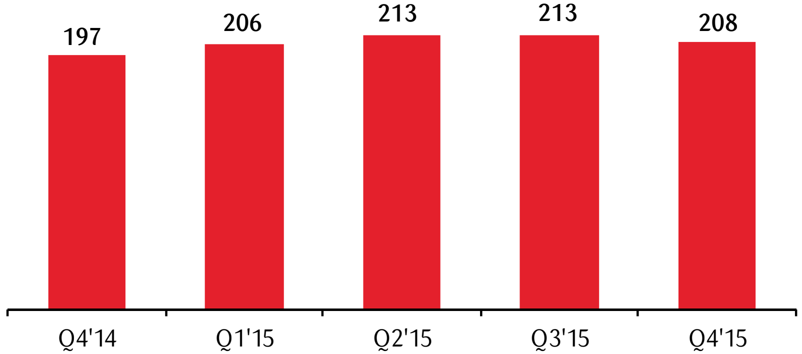
Average LTV



Average carrying value of mortgage loan (PLN'000)



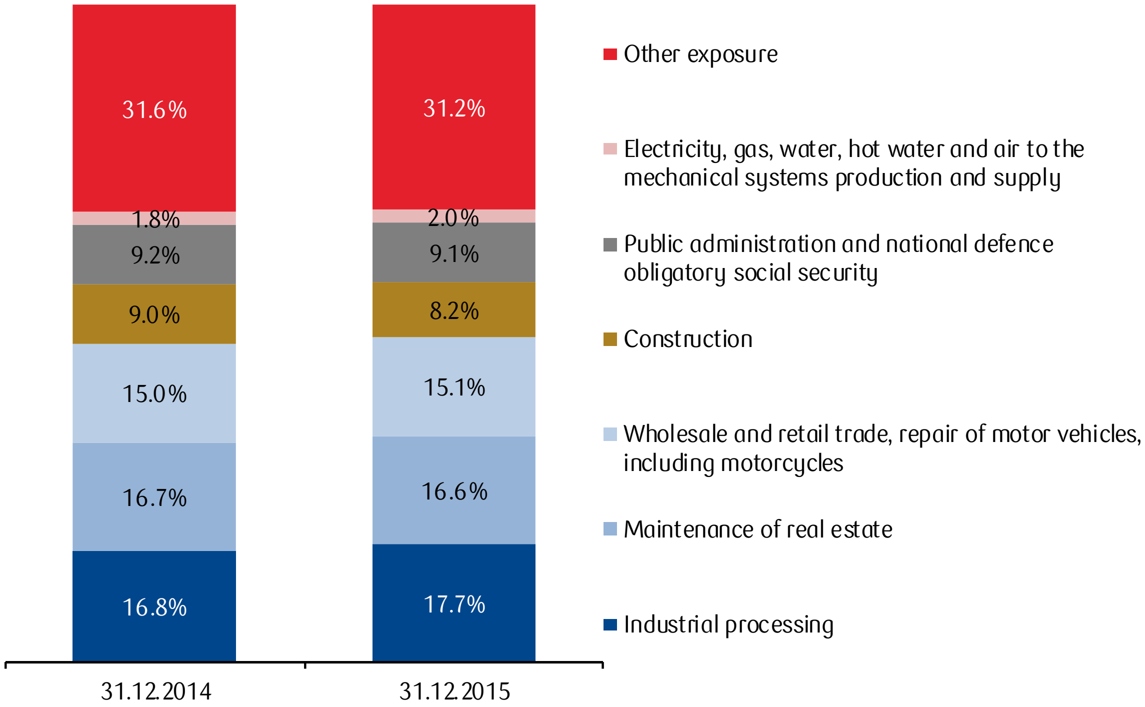
Average value of mortgage loan in new sales (PLN'000)



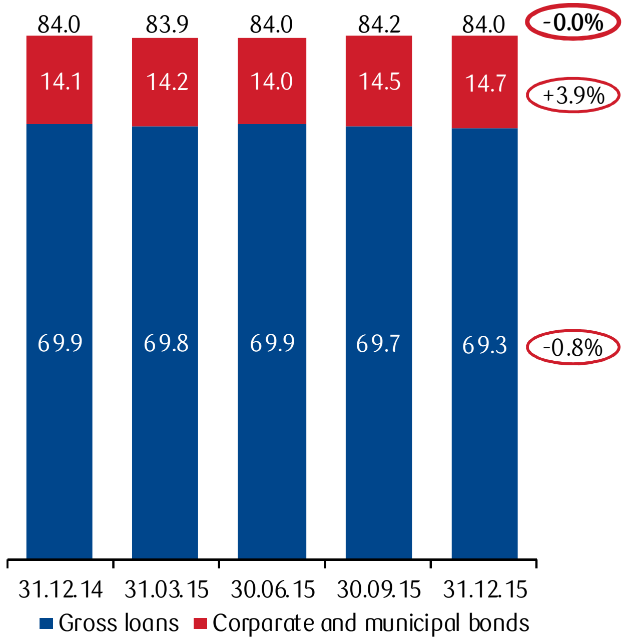
Credit risk concentration

Bank Polski

Structure of corporate[1] loans by industry segment



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



1 The highly diversified structure of the loan book points to low sector exposure concentration. At the end of 2015 the biggest share in the portfolio had a section „Industrial processing" (17.7%), whose share in the portfolio increased by 1.0 pp. y/y, which was the biggest increase on a yearly basis. The largest decline of the share in the portfolio (-0.8 pp. y/y) was on the section „Construction”.
The share of the section „Mining and quarrying” in the corporate loans portfolio is approx. 1.1%, while the share of loans for the automotive industry is less than 1%

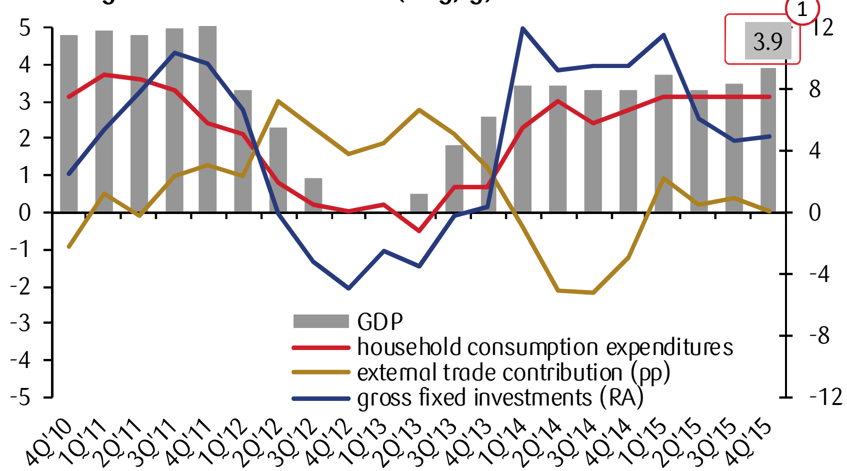
(1) Gross loans of non-financial and state budget entities

Change y/y

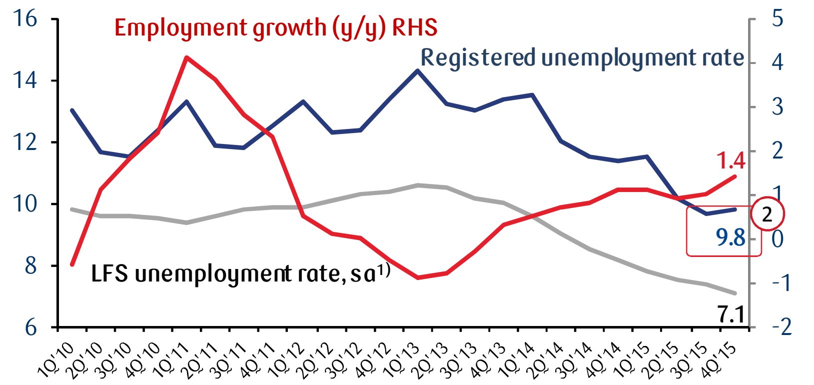
Macroeconomic trends
Solid GDP growth with positive trend in the labour market

Bank Polski

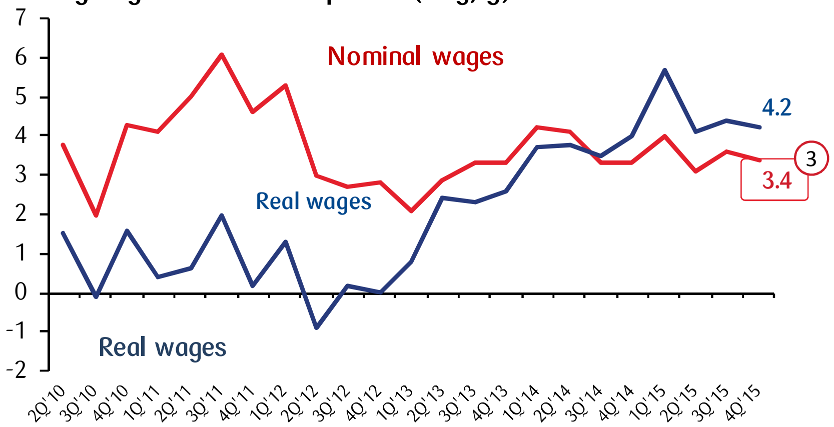
Real GDP growth and its drivers (% y/y)



Labour market trends (%)



Wages growth in enterprises (% y/y)



1 GDP growth accelerated in 4Q2015 (to 3.9% y/y vs 3.5% y/y in 3Q2015) due to positive effect related to the end of the "old" wave of EU funds. Full-year GDP growth reached 3.6%. Structure of the economic growth is changing towards larger contribution of private consumption and weaker role of fixed investments growth. Drop in public investments and negative calendar effect in 1Q2016 imply slower GDP growth before fiscal stimulus (new child's benefits) kicks in later in the year. We forecast GDP growth of 3.5% in 2016 as a whole, despite global risks.

2 Stable economic growth translates into continuation of positive trends in the labour market (acceleration in employment growth). The unemployment rate at end-2015 dropped to the lowest since 2008.

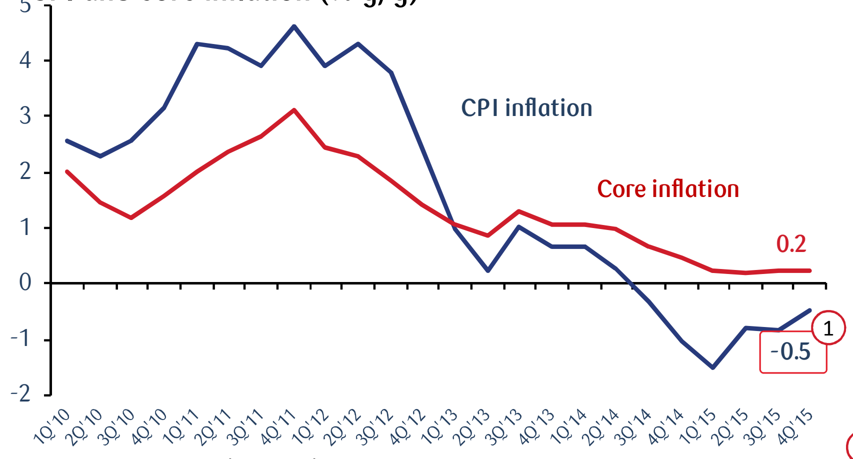
3 Wages have been growing at solid and stable pace of ca. 3.5% y/y in nominal terms and over 4% y/y in real terms. There are signs of stronger wage pressure. Solid incomes growth supports consumption.

(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.

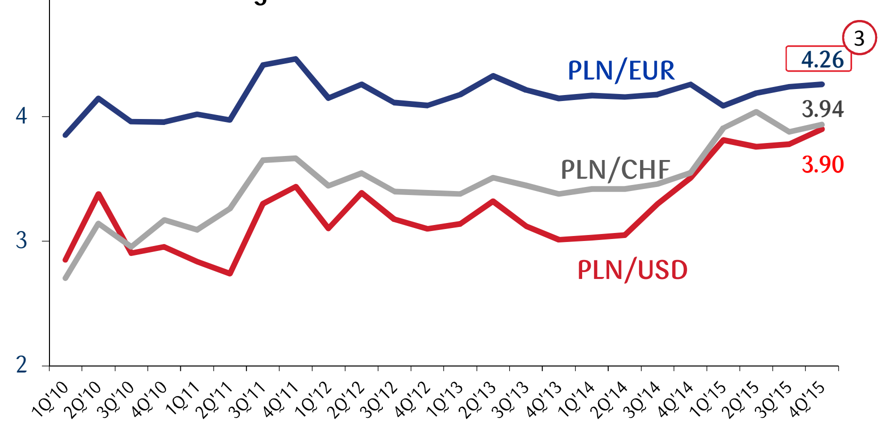
Macroeconomic trends
Inflation has rebounded, confirming that rate cuts cycle has ended

Bank Polski

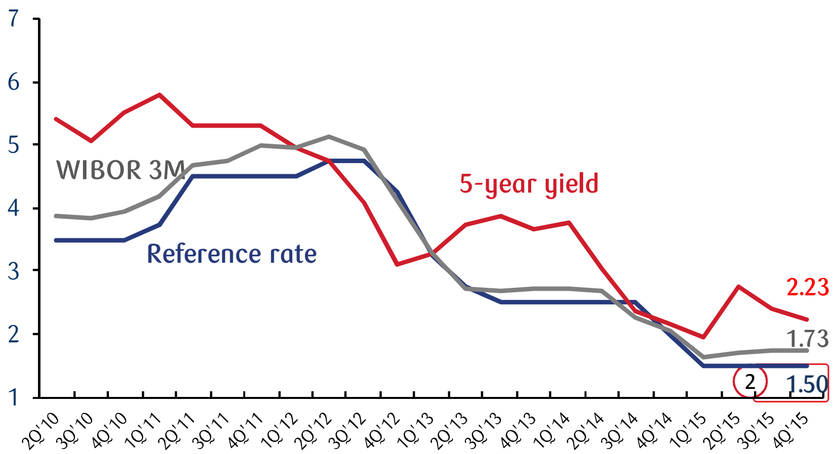
CPI and core inflation (% y/y)



PLN exchange rates



Interest rates (% eop)



1. CPI inflation slightly rose in 4Q2015 (on average to -0.6% y/y vs.-0.7% in 3Q2015), due to weaker drop in fuel prices and stabilization of food prices amid stable core inflation. We predict CPI inflation to remain negative until 3Q2016 and then to rebound to ca. 1% y/y at year-end (low base effect and underlying pressure related to tight labour market and strong consumption).

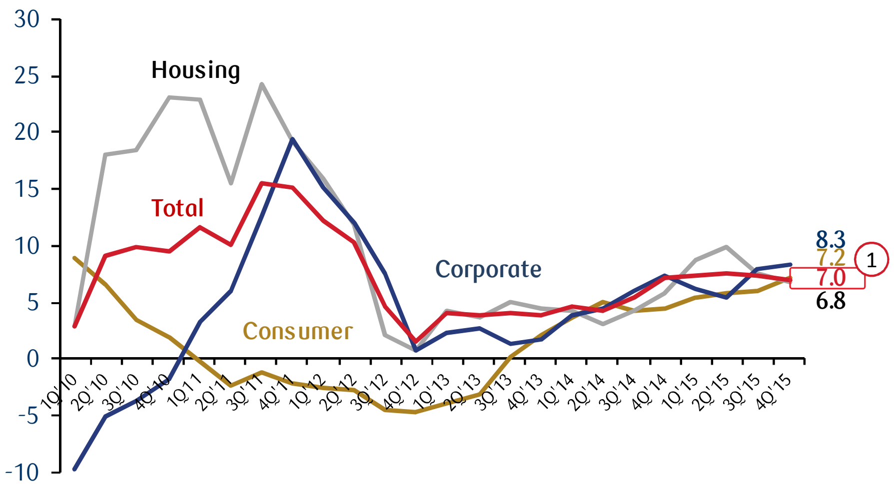
2. Since the last rate cut in March 2015, the MPC has maintained its declaration that easing cycle ended. New MPC members indicate that interest rates policy should remain unchanged as deflation does not have negative impact on the economy while resumption of rate cuts could be detrimental to stability of the financial system and would add to depreciation pressure on the PLN.

3. EURPLN at end-2015 was similar as at the end of 3Q2015, but there were waves of PLN weakening during the quarter, especially in December. The first rate hike in the US and monetary easing in the Euro area drove EURUSD lower and USDPLN higher. Slight drop in EURCHF (on ECB easing) lifted CHFPLN.

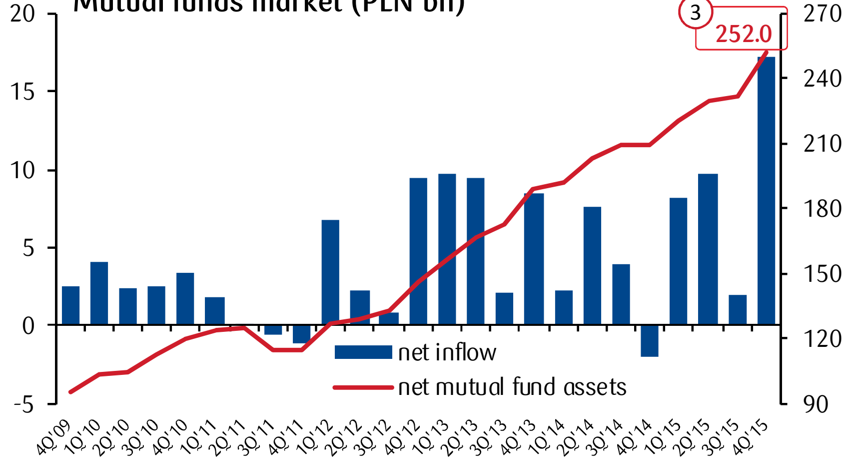
Banking sector and mutual funds
Stabilization in loans growth and stronger deposits growth

Bank Polski

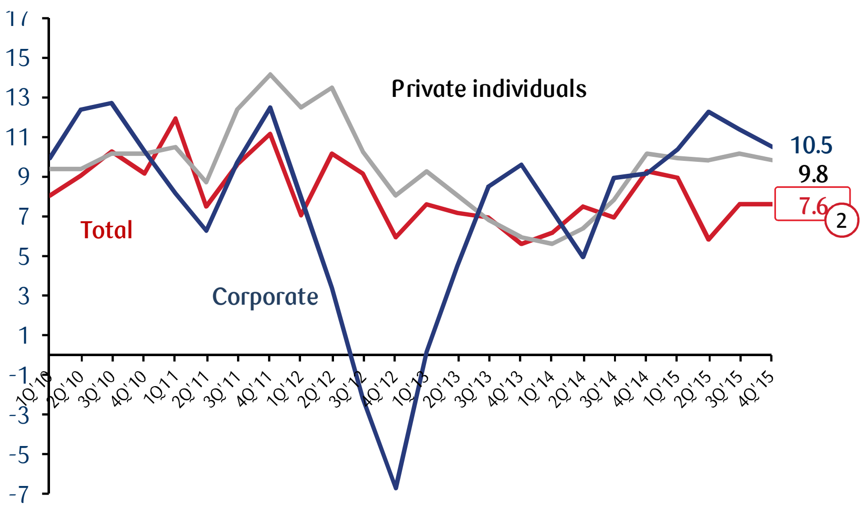
Loan growth rates (% y/y)



Mutual funds market (PLN bn)



Deposit growth rates (% y/y)



1 Loans growth slightly slowed down in 4Q2015 (to 7.0% y/y; FX adj. 6.1% y/y) with stronger rise in corporate loans (8.3%; FX adj. 7.5%), slower mortgage loan growth (6.8%; FX adj. 5.1%) and stronger consumer loans' growth (7.2%; FX adj. 7.0%).

2 Deposits growth stabilized in 4Q2015 (7.6% y/y), amid slower rise in households deposits (9.8% y/y) and slower – but still strong - rise in corporate deposits growth (10.5%). The Loan-to-Deposit ratio decreased to 103.0% from 104.3% in 3Q2015.

3 There was significant rise in assets of mutual funds in 4Q2015 due to substantial inflow to non-retail funds.

Summary operational data

Bank Polski

PKO Bank Polski operating data (eop)	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Change	
						y/y	q/q
Current accounts ('000)	**6 660**	**6 661**	**6 583**	**6 600**	**6 621**	**-0.6%**	**+0.3%**
Banking cards ('000)	**7 468**	**7 452**	**7 450**	**7 489**	**7 523**	**+0.7%**	**+0.5%**
of which: credit cards	843	821	838	845	838	-0.6%	-0.8%
Number transactions (mn)*	181	149	162	165	148	-17.9%	-10.2%
Total value of transactions (PLN mn)*	29 472	26 446	29 076	29 613	29 153	-1.1%	-1.6%
Branches:	**1 319**	**1 323**	**1 311**	**1 290**	**1 277**	**-3.2%**	**-1.0%**
- retail	1 280	1 284	1 272	1 251	1 238	-3.3%	-1.0%
- corporate	39	39	39	39	39	0.0%	0.0%
Agencies	**1 001**	**965**	**926**	**887**	**881**	**-12.0%**	**-0.7%**
ATMs	**3 202**	**3 210**	**3 217**	**3 214**	**3 196**	**-0.2%**	**-0.6%**
Active IKO applications ('000)	**228**	**270**	**308**	**354**	**431**	**+88.5%**	**+21.7%**

* figures do not include contactless transactions

Consolidated income statement of the PKO BP Group

Bank Polski

Profit and loss account (PLN '000)	2014	2015	Change y/y
Net interest income	7 522 931	7 028 595	-6.6%
Net fee and commission income	2 933 506	2 850 628	-2.8%
Other income	690 127	785 600	+13.8%
Dividend income	6 511	10 658	+63.7%
Net income from financial instruments designated at fair value	75 188	40 577	-46.0%
Gains less losses from investment securities	150 050	87 747	-41.5%
Net foreign exchange gains	235 797	369 094	+56.5%
Net other operating income and expense	222 581	277 524	+24.7%
Total income items	**11 146 564**	**10 664 823**	**-4.3%**
Net impairment allowance and write-offs	(1 898 670)	(1 475 918)	-22.3%
Administrative expenses	(5 245 141)	(6 036 270)	+15.1%
Share in net profit (losses) of associates and jointly controlled entities	31 810	38 115	+19.8%
Profit before income tax	**4 034 563**	**3 190 750**	**-20.9%**
Income tax expense	(791 747)	(589 497)	-25.5%
Net profit attributable to non-controlling shareholders	(11 306)	(8 311)	-26.5%
Net profit attributable to the parent company	**3 254 122**	**2 609 564**	**-19.8%**

Consolidated income statement of the PKO BP Group - quarterly

Bank Polski

Profit and loss account (PLN '000)	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q4'15/ Q4'14	Q4'15/ Q3'15
Net interest income	1 865 354	1 670 738	1 683 362	1 818 099	1 856 396	-0.5%	+2.1%
Net fee and commission income	717 716	679 150	757 382	720 548	693 548	-3.4%	-3.7%
Other income	173 747	230 859	153 632	159 599	241 510	+39.0%	+51.3%
Dividend income	105	-	9 676	982	-	x	x
Net income from financial instruments designated at fair value	1 778	23 118	(14 247)	2 004	29 702	17x	15x
Gains less losses from investment securities	78 166	52 541	16 812	6 385	12 009	-84.6%	+88.1%
Net foreign exchange gains	33 990	72 239	94 449	92 247	110 159	+224.1%	+19.4%
Net other operating income and expense	59 708	82 961	46 942	57 981	89 640	+50.1%	+54.6%
Total income items	**2 756 817**	**2 580 747**	**2 594 376**	**2 698 246**	**2 791 454**	**+1.3%**	**+3.5%**
Net impairment allowance and write-offs	(452 320)	(373 579)	(375 070)	(362 316)	(364 953)	-19.3%	+0.7%
Administrative expenses	(1 439 427)	(1 404 770)	(1 372 317)	(1 335 476)	(1 923 707)	+33.6%	+44.0%
Share in net profit (losses) of associates and jointly controlled entities	8 549	8 515	7 308	8 279	14 013	+63.9%	+69.3%
Profit before income tax	**873 619**	**810 913**	**854 297**	**1 008 733**	**516 807**	**-40.8%**	**-48.8%**
Income tax expense	(153 303)	(175 151)	(152 676)	(193 031)	(68 639)	-55.2%	-64.4%
Net profit attributable to non-controlling shareholders	(2 303)	(11 419)	(1 257)	454	3 911	-269.8%	9x
Net profit attributable to the parent company	**722 619**	**647 181**	**702 878**	**815 248**	**444 257**	**-38.5%**	**-45.5%**

Consolidated statement of financial position of the PKO BP Group

Bank Polski

Assets (PLN '000)	31.12.14	31.03.15	30.06.15	30.09.15	31.12.15	Change y/y	Change q/q
Cash and balances with the Central Bank	11 738 371	10 090 058	11 934 626	8 181 397	13 743 864	+17.1%	+68.0%
Amounts due from other banks	2 486 686	4 567 158	3 673 220	4 113 135	4 552 972	+83.1%	+10.7%
Trading assets	1 924 426	1 813 910	1 532 183	2 526 087	783 199	-59.3%	-69.0%
Derivative financial instruments	5 494 822	5 598 132	3 976 774	4 376 549	4 347 269	-20.9%	-0.7%
Financial assets designated at fair value through P&L	15 723 148	18 730 144	13 871 079	14 592 585	15 154 100	-3.6%	+3.8%
Loans and advances to customers	179 497 384	182 440 406	185 336 089	185 193 115	190 413 708	+6.1%	+2.8%
Investment securities available for sale and securities held to maturity	22 512 583	23 805 722	25 867 501	26 560 447	28 519 845	+26.7%	+7.4%
Tangible fixed assets	2 653 555	2 480 800	2 493 423	2 519 689	2 782 186	+4.8%	+10.4%
Other assets	6 669 614	7 057 596	6 838 732	6 857 426	6 642 776	-0.4%	-3.1%
TOTAL ASSETS	**248 700 589**	**256 583 926**	**255 523 627**	**254 920 430**	**266 939 919**	**+7.3%**	**+4.7%**

Liabilities and eqiuty (PLN '000)	31.12.14	31.03.15	30.06.15	30.09.15	31.12.15	Change y/y	Change q/q
Amounts due to the central bank	4 427	4 143	4 158	4 541	4 219	-4.7%	-7.1%
Amounts due to banks	19 394 482	21 570 055	20 101 550	20 332 686	18 288 797	-5.7%	-10.1%
Derivative financial instruments	5 545 141	6 300 141	5 096 870	4 855 943	4 624 767	-16.6%	-4.8%
Amounts due to customers	174 386 766	178 367 476	179 137 778	178 256 829	195 758 461	+12.3%	+9.8%
Liabilities of insurance activities	2 679 722	2 790 195	2 587 180	2 386 315	2 400 493	x	+0.6%
Debt securities in issue	13 300 610	13 815 938	14 139 104	14 114 895	9 432 973	-29.1%	-33.2%
Subordinated liabilities	2 413 985	2 478 949	2 521 227	2 471 649	2 499 163	+3.5%	+1.1%
Other liabilities	3 359 905	2 992 193	3 204 909	2 920 069	3 666 133	+9.1%	+25.5%
Total equity	27 615 551	28 264 836	28 730 851	29 577 503	30 264 913	+9.6%	+2.3%
TOTAL EQUITY AND LIABILITIES	**248 700 589**	**256 583 926**	**255 523 627**	**254 920 430**	**266 939 919**	**+7.3%**	**+4.7%**

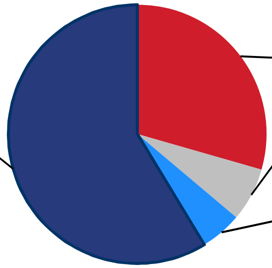
Shares, rating and dividend policy

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) as at 28.08.15
***) According to the AGM resolution of 25 June 2015

Rating

Rating: / Agency:	Long-term	Short-term	Outlook
Moody's	A2/A3	P-1/P-2	Stable

Dividend

Payment from the net profit of the year	DPS (PLN)	Dividend yield (Div. Day)	Payout ratio
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 policy

- The general assumption of the Bank's dividend policy is to maintain a stable level of dividend payments in the long term, in compliance with the principle of prudent management of the Bank and the PKO BP Group, and with consideration of the financial capacity of the Bank and the PKO BP Group as determined on the basis of the adopted criteria.
- The aim of the dividend policy is to optimise own funds of the Bank and of the PKO BP Group, taking into account the return on capital and its cost, capital needs for development, while ensuring appropriate capital adequacy ratio levels.
- The dividend policy assumes the possibility of the Bank's net profit distribution to shareholders in the long-term perspective in the amount of the surplus of capital above the minimal capital adequacy ratios including the additional capital buffer.
- The dividend policy takes into account factors related to the operations of the Bank and the PKO BP Group companies, in particular, the requirements and supervisory recommendations concerning capital adequacy. Bank's capital ratio account regarding capital requirement in the context of dividend policy recommended by PESA amount criterion for payment to 50% profit for the 2014: (Common Equity Tier 1) CET1=12+0,57=12,57%, (Total Capital Requirement) TCR=12,5+0,76=13,26%.

Disclaimer

Bank Polski

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Bank Polski

Investor's calendar:

9 May 2016	Publication of the Quarterly 1Q 2016 Report
8 August 2016	Publication of the 1H 2016 Report
7 November 2016	Publication of the Quarterly 3Q 2016 Report
6 March 2017	Publication of the 2016 Annual Report