



Bank Polski

Financial Results of the PKO Bank Polski Group for 3 Q 2017

13 November 2017

Key business achievements in 3Q

PKO Bank Polski has developed innovations in retail banking, offers for corporations and local governments, and strengthened the asset management business



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Take-over of KBC TFI



PKO Bank Polski Group Takes Over KBC TFI

PKO Bank Polski signed an agreement concerning purchase of 100% shares in KBC TFI from KBS Asset Management by the Bank's subsidiary, PKO BP Finat Sp. z o.o.

The planned merger with KBC TFI will accelerate the hitherto dynamic development of PKO TFI, which is the largest Polish company in the segment of retail funds, with a share in the market on the level of almost 15%.

Innovation development



First Joint Project of ZenCard and eService

The first joint project of ZenCard and eService was the MAKRO and Visa promotional campaign; currently, the campaign with SUPER-PHARM drug store is under way.



Innovative Digital Pen in PKO Bank Polski Branches

In cooperation with start-up IC Solutions, the Bank is testing the first Polish digital pen in selected branches.

IC Pen is a system of data digitisation that allows for saving a text manually written on a bank form in an electronic form, which accelerates the processing time and reduces the amount of consumed paper.

Offer for corporations and local governments



Pomerania Province: the New Client of PKO Bank Polski

This is the eighth province serviced by the Bank. PKO's share in financing local governments with loans exceeds 19% and with respect to the issue of municipal bonds - over 40%.



International Financial Servicing of ORLEN Capital Group

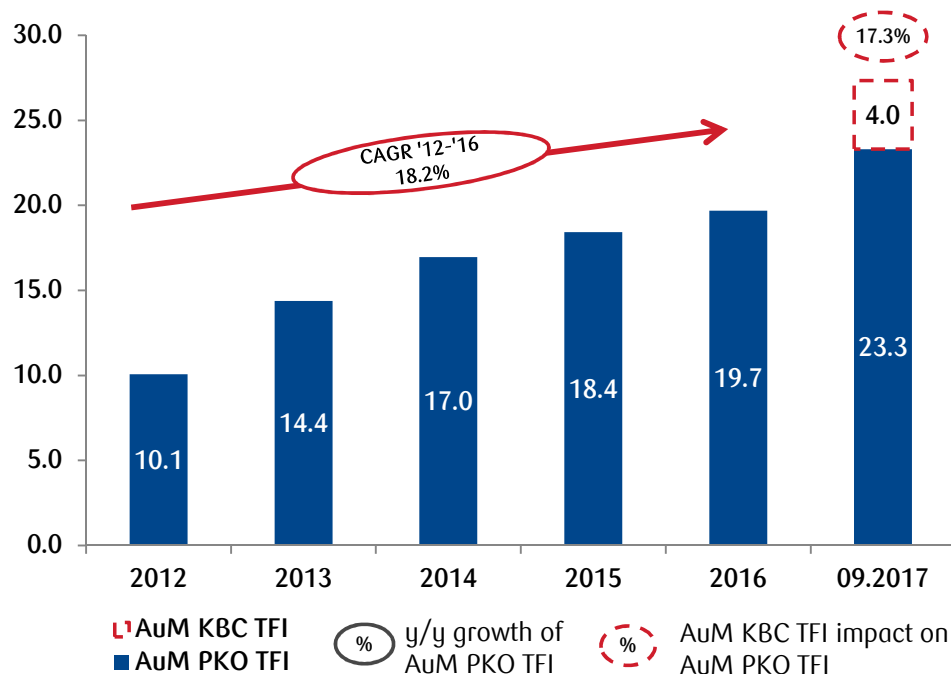
The cash pool system will cover current consolidation of positive and negative balances in main currencies used by ORLEN Capital Group. The multi-currency cash pool system for ORLEN Capital Group is the first solution of this type in Poland.

The highest organic growth in 2017: (+3.6bn) strengthened by the takeover of KBC TFI (+4bn)



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PKO Bank Polski Capital Group signed an agreement on acquisition of 100% shares in KBC TFI from KBC Asset Management.



Source: Chamber of Fund and Asset Management statistics

Significant organic growth of PKO TFI

- The highest net sales of funds in the market of retail funds (PLN 3.5 bn), from which:
 - In 3Q: PLN 1.1 bn (market share amounted to 22%)
 - In October: PLN 0.9 bn (market share amounted to 50%)
- PKO TFI has maintained its leader position among the largest Polish Investment Fund Companies for retail investors, with 14.9% market share (market share as at the end of 2Q 14.6%, market share as at the end 2016 14.3%)
- Modern range of products is the reason for acquiring new customers: since the beginning of the year we have acquired 77 thousand new customers. PKO TFI is the largest investment fund company in terms of the number of customers (490k).

KBC TFI take-over

- The transaction is conditional and its' finalisation requires approval of the President of the Office of Competition and Consumer Protection and no objection on the part of the Polish Financial Supervision Authority.
- Completion of Transaction Planned in 1Q 2018**
- According to plans, the investment fund companies operating as part of PKO BP Group will be merged.

Major Benefits of the Transaction

- Increase in the volume of managed assets by 17%:** significant acceleration of growth in relation to organic growth of PKO TFI.
- The transaction will have a positive impact on financial results, proportionally to the scale of acquisition.
- Building experience in the area of consolidation of TFI in PKO Bank Polski Capital Group.
- Opportunistic transaction: benefits primarily in the financial aspect.

Prizes and Distinctions



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BAI Global Innovation Awards



- ✓ Award in international competition for financial institutions BAI Global Innovation Awards in the **breakthrough cooperation** category
- ✓ The project of making e-administration services available via electronic banking websites received an award.
- ✓ PKO Bank Polski is the leader with respect to the number of applications filed on-line



Reliable Employer of 2017 in Banking Industry

The Bank was distinguished for its' model HR policy



Dom Maklerski

Top Broker for CEE

PKO Bank Polski Brokerage House is the **best broker** in the region of Central and Eastern Europe



Quality Recognition Award

The prestigious distinction Quality Recognition Award granted by American JP Morgan bank for **top quality of inter-bank operations.**

PKO Bank Polski earned the highest net profit in the banking sector increasing the gap with the runner-up banks

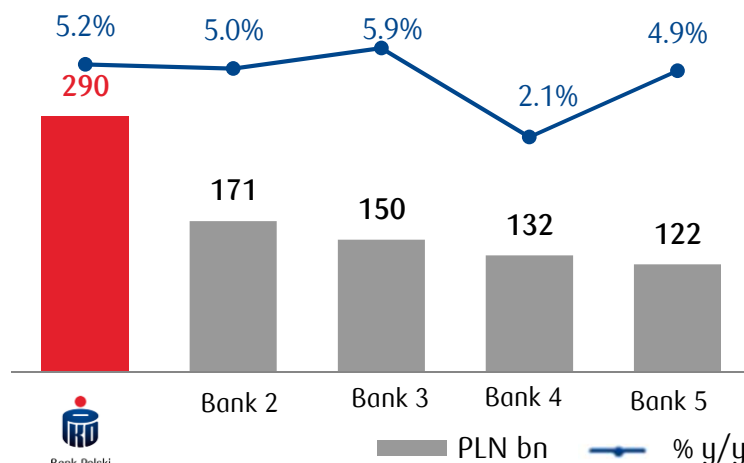
(as at the end of 3Q 2017)



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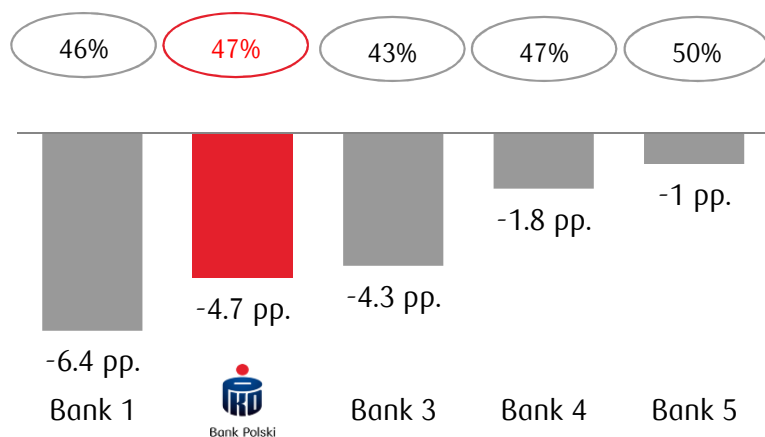
PKO Bank Polski continued its dynamic development...

Assets



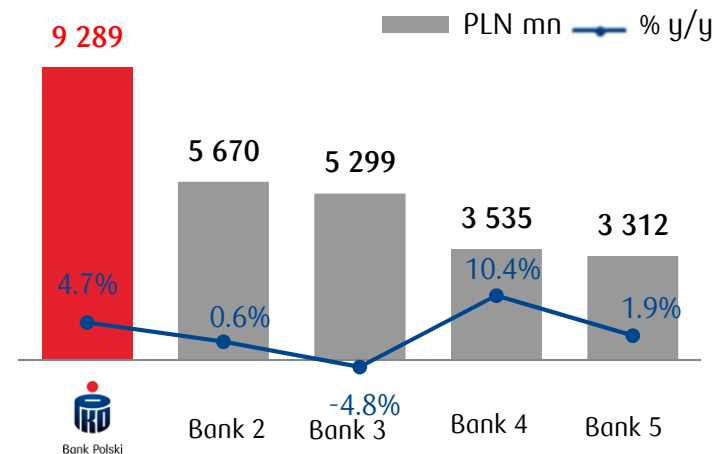
...improved cost efficiency...

C/I ratio - (%) i change y/y (pp.)



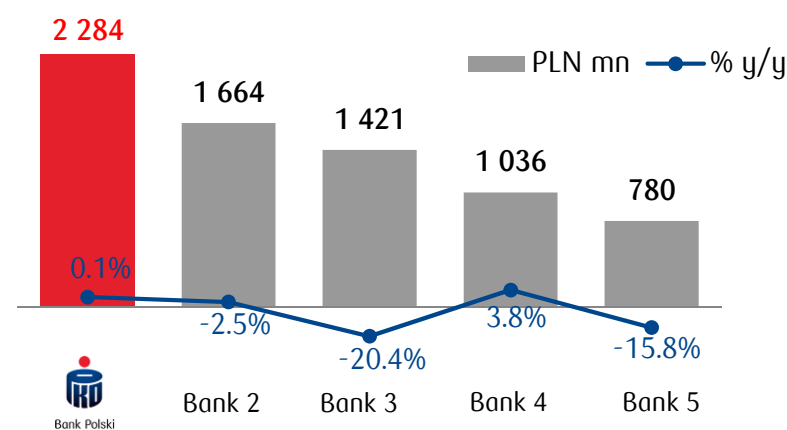
...achieved a solid result on core business...

Result on business activity



...generated the highest net profit in the banking sector

Net profit



C/I: relation between operational costs and amortisation for the last 4 quarters and the result on business operation for the last 4 quarters (does not include costs of banking tax); calculations by PKO Bank Polski

Key financial data



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Record net profit

Net financial result generated in the 3Q 2017 amounted to **902 PLN million** and was **5.3%** higher than the result in the previous quarter. This is also the highest quarterly result generated in the course of the last 4 years.

Significant growth of revenue

Consolidated result on business activity in the 3Q 2017 was at the level exceeding **PLN 3.2 billion (+1.9% q/q)**, mainly in effect of growth of interest result by **3.9% q/q** and F&C result by **4.4% q/q** which, in annual terms, grew by **10.9%** and **11.1%**, respectively.

High efficiency of operation⁽¹⁾

The cost-income ratio in 3Q 2017 was on the level of **43.0%**.
ROE was at the level of **13.0%**.
ROA was at the level of **1.6%**.

Further improvement of capital position

Loan to stable funding ratio was at the level of **84.7%**.
Total capital ratio was at the level of **17.7%** and Tier 1 capital ratio at **16.8%** (for the Bank, **19.7%** and **18.7%**, respectively).

Low cost of risk

Cost of risk in the third quarter came in at **73 bp**.

(1) C/I, ROE, ROA without bank tax.

Financial summary



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		9M17	9M16	Change y/y	3Q17	2Q17	Change q/q
P&L items (PLN mn)	Net interest income	6 357	5 734	+10.9%	2 197	2 114	+3.9%
	Net F&C income	2 209	1 988	+11.1%	766	733	+4.5%
	Result on business activity	9 289	8 873	+4.7%	3 188	3 129	+1.9%
	Administrative expenses	-4 310	-4 134	+4.3%	-1 372	-1 375	-0.2%
	Net impairment allowance	-1 172	-1 201	-2.4%	-389	-392	-0.8%
	Bank tax	-698	-595	+17.3%	-234	-231	+1.3%
	Net profit	2 284	2 281	+0.1%	902	857	+5.3%
Balance sheet (PLN bn)	Assets	290.0	275.6	+5.2%	290.0	286.4	+1.2%
	Net loans	205.8	193.2	+6.5%	205.8	204.6	+0.6%
	Deposits	209.7	201.2	+4.2%	209.7	207.2	+1.2%
	Stable financial resources	243.0	230.7	+5.3%	243.0	240.1	+1.2%
	Total equity	35.3	32.3	+9.3%	35.3	34.3	+2.9%

Any differences in total balances, shares and growth rates result from rounding of balances to PLN million and percentage shares to one decimal place.

Key performance indicators



Bank Polski

		9M17	9M16	Change y/y	3Q17 ⁴⁾	2Q17 ⁴⁾	Change q/q
Key financial indicators	ROE net (%)	8.6	8.8	-0.2 pp.	10.3	10.2	+0.1 pp.
	ROE net (%) excluding bank tax	11.3	10.7	+0.6 pp.	13.0	12.9	+0.0 pp.
	ROA net (%)	1.0	1.0	-0.0 pp.	1.2	1.2	+0.0 pp.
	ROA net (%) excluding bank tax	1.3	1.2	+0.1 pp.	1.6	1.5	+0.0 pp.
	C/I (%)	54.9	57.0	-2.2 pp.	50.4	51.3	-0.9 pp.
	C/I (%) excluding bank tax	47.2	51.9	-4.7 pp.	43.0	43.9	-0.9 pp.
	NIM ¹⁾ (%)	3.27	3.15	+0.12 pp.	3.37	3.27	+0.10 pp.
Quality of loan portfolio	NPL ratio ²⁾ (%)	5.6	6.2	-0.6 pp.	5.6	5.7	-0.1 pp.
	Coverage ratio ³⁾ (%)	68.6	65.3	+3.3 pp.	68.6	67.1	+1.5 pp.
	Cost of risk (bp.)	74	73	+1 bp.	73	71	+2 bp.
Capital position	TCR (%)	17.7	16.0	+1.7 pp.	17.7	16.9	+0.8 pp.
	Tier 1 capital ratio (%)	16.8	14.7	+2.1 pp.	16.8	16.0	+0.8 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

Any differences in total balances, shares and growth rates result from rounding of balances to PLN million and percentage shares to one decimal place.

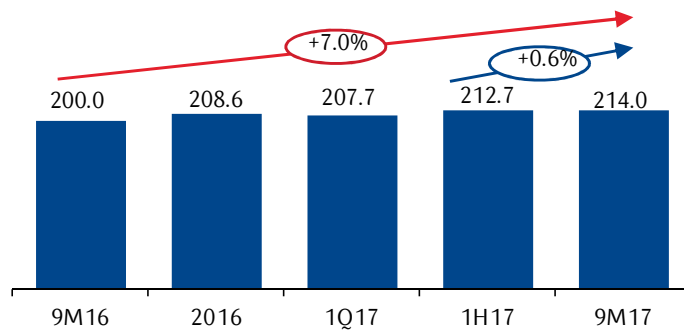
Business volumes – trends by business lines

Dynamic volume growth of deposits and gross loans

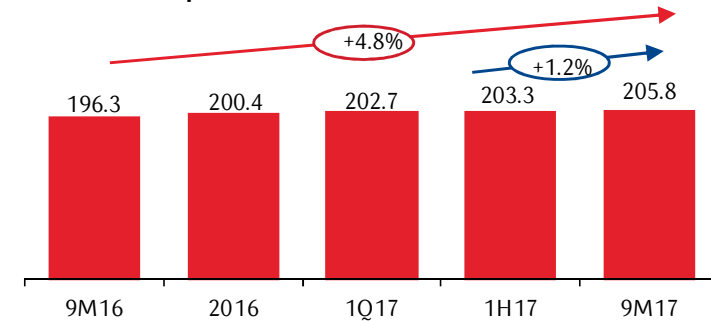


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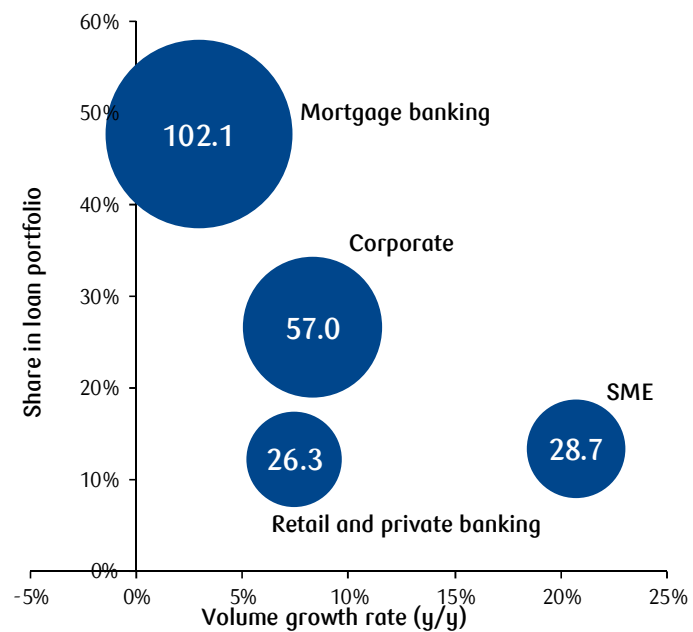
Gross loans – sum of business lines (PLN bn)



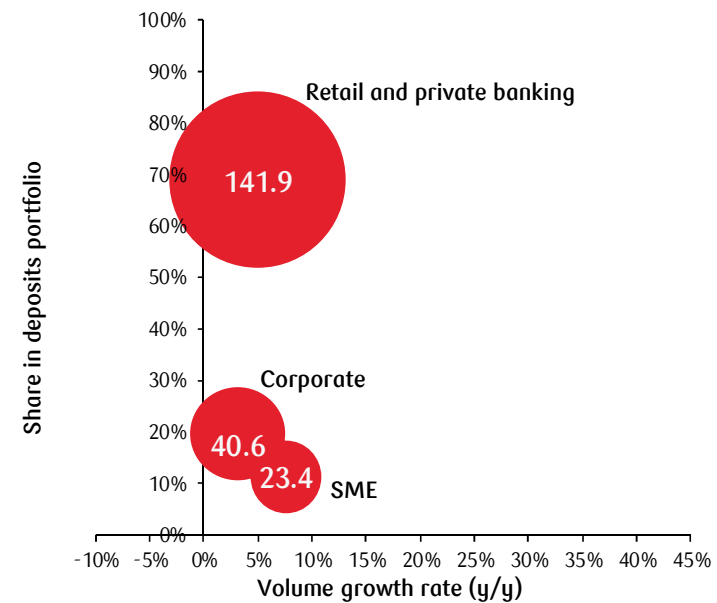
Customer deposits – sum of business lines (PLN bn)



Gross loans by business lines as at 30/09/2017



Customer deposits by business lines as at 30/09/2017



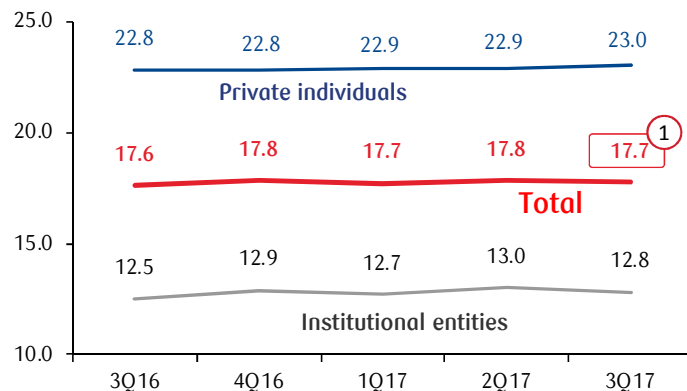
PKO Bank Polski market share

Improvement of the leading share in the loans market, significant increase in PKO TFI's share

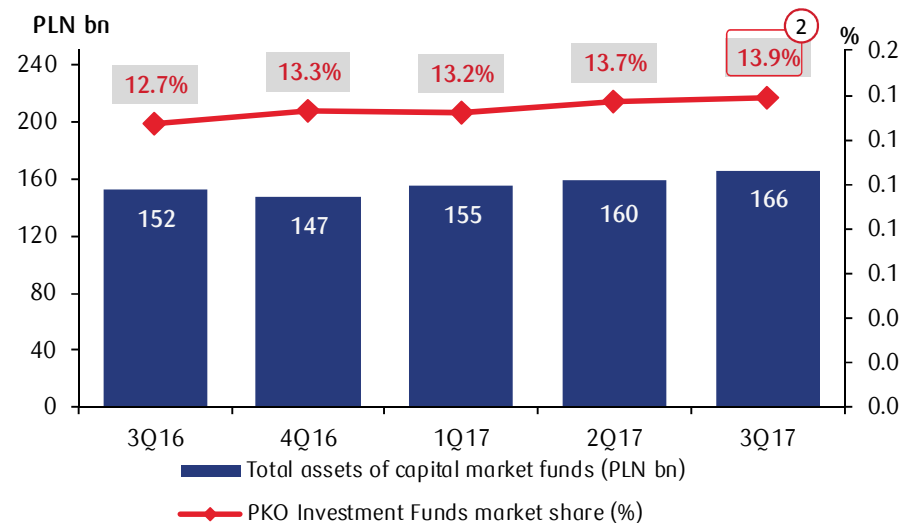


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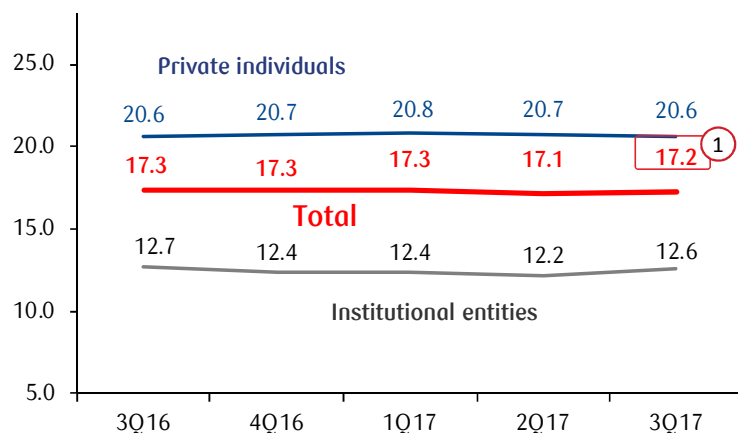
Loans market share (%)



Capital market funds - market share



Deposits market share (%)



1

As compared to the previous year increase in the loans market, decrease in deposits market.

1

Further dynamic development of the PKO TFI's activity and increase of its market share.

Macroeconomic and banking sector outlook



Bank Polski

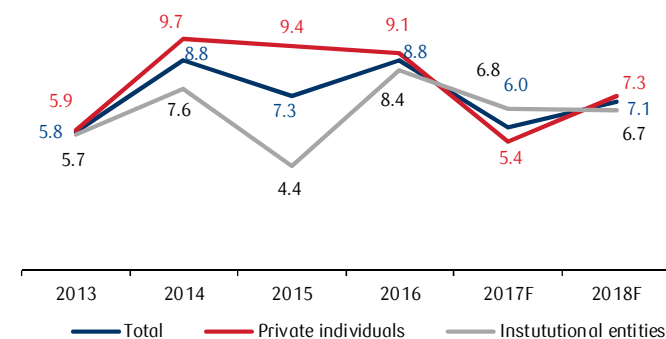
		2013	2014	2015	2016	2017F	2018F
GDP ³⁾	% y/y	1.4	3.3	3.8	2.7	4.2	4.3
Consumption ³⁾	% y/y	0.3	2.6	3.0	3.8	4.7	3.9
Investments ³⁾	% y/y	-1.1	10.0	6.1	-7.9	3.7	10.4
Fiscal deficit ¹⁾	% GDP	-4.1	-3.6	-2.6	-2.5	-2.3	-2.5
Public debt ²⁾	% GDP	53.3	48.1	48.8	52.1	49.0	48.0
CPI inflation	%	0.9	0.0	-0.9	-0.6	1.9	2.3
LFS unemployment rate	%	9.8	8.1	6.9	5.5	5.1	4.7
NBP reference rate	% eop	2.50	2.00	1.50	1.50	1.50	1.75
WIBOR 3M	% eop	2.71	2.06	1.73	1.73	1.73	1.98
EURPLN	PLN eop	4.15	4.26	4.26	4.42	4.36	4.37
USDPLN	PLN eop	3.01	3.51	3.90	4.18	3.82	3.90

1) ESA2010

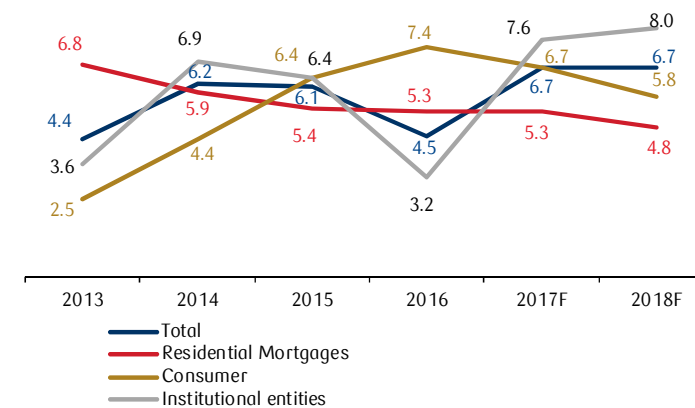
2) According to domestic methodology.

Source: GUS, Ministry of Finance, NBP, PKO Bank Polski forecasts

Deposits - FX adjusted growth rate (%)



Loans- FX adjusted growth rate (%)





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Financial results

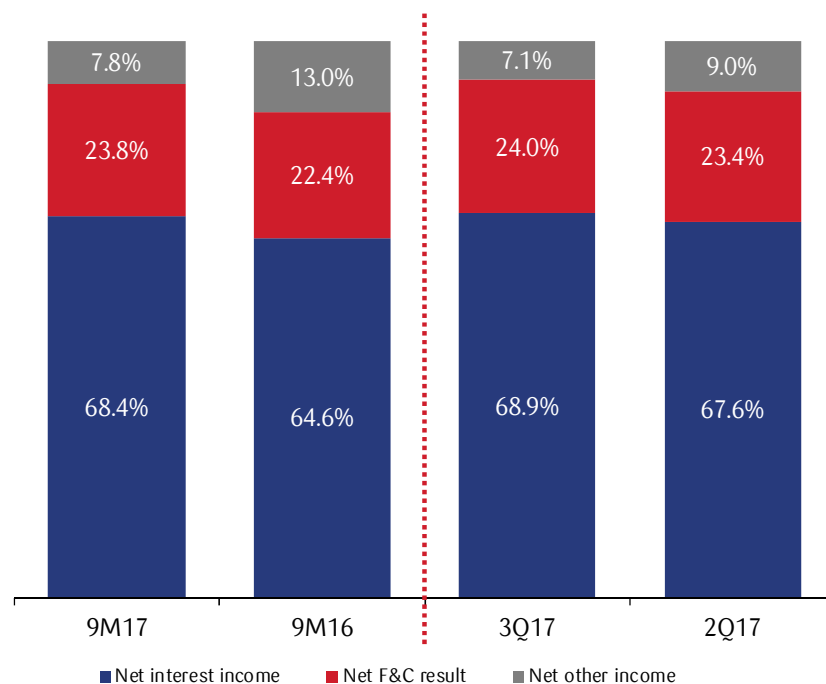
Result on business activity

A dynamic increase in the result on business activity after three quarters, by 4.7 % y/y mainly due to the significant increase in NII and net F&C result, while net other income decreased due to one-off high base effect



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Split of result on business activity



PLN mn	9M17	9M16	Change y/y	3Q17	2Q17	Change q/q
Net interest income	6 357	5 734	+10.9%	2 197	2 114	+3.9%
Net F&C result	2 209	1 988	+11.1%	766	733	+4.5%
Net other income	723	1 151 ⁽¹⁾	-37.2%	225	282	-20.2%
Result on financial operations and dividends	40	528	-92.4%	15	1	+1400.0%
Net FX result	324	351	-7.7%	101	107	-5.6%
Net other operating income	359	272	+32.0%	109	174	-37.4%
Result on business activity	9 289	8 873	+4.7%	3 188	3 129	+1.9%

1) in June 2016 the acquisition of Visa Europe Limited by Visa Inc. was settled, which affected the profit in the amount of PLN 418 million

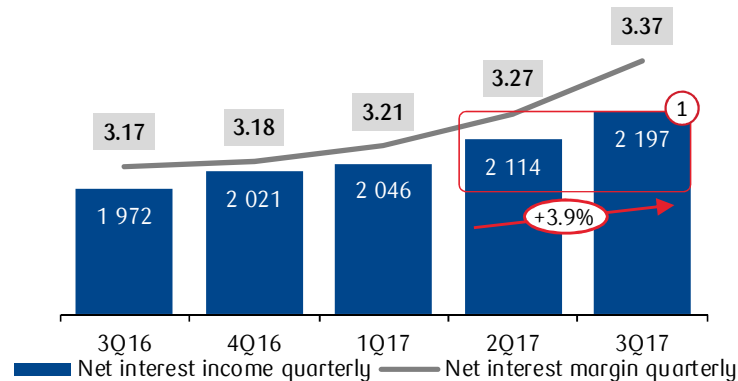
Net interest income (1)

Consistent improvement of net interest income mainly thanks to an increase in interest income

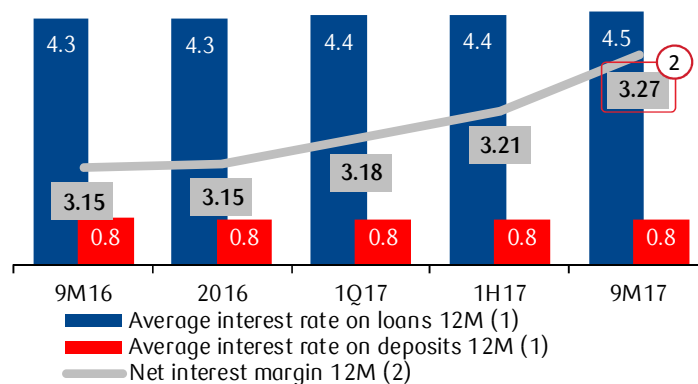


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Net Interest Income (PLN mn)



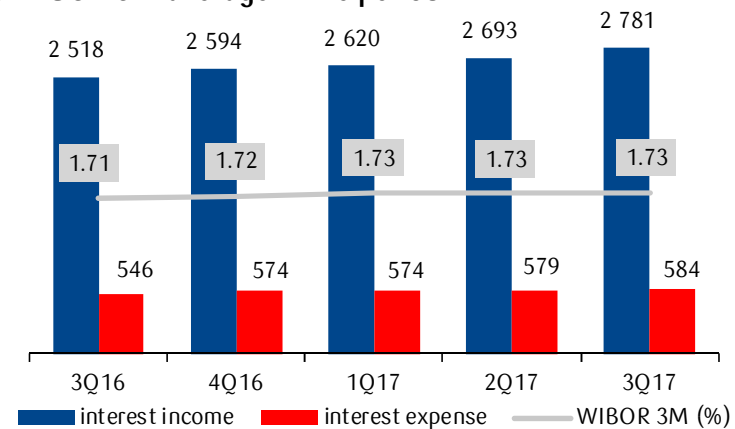
Net Interest Margin and average interest rates on loans and deposits (%)



(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)

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



1 In the third quarter of 2017 net interest income amounted to PLN 2 197 million and was approx. 4% higher q/q. Net interest income generated in three quarters of 2017 amounted to PLN 6 357 million and was PLN 623 million higher than in the prior year, mainly thanks to an increase in the portfolio of loans and securities combined with a decrease in the average cost of funding.

2 The interest margin increased by 0.1 pp. y/y to 3.3% at the end of the third quarter of 2017.

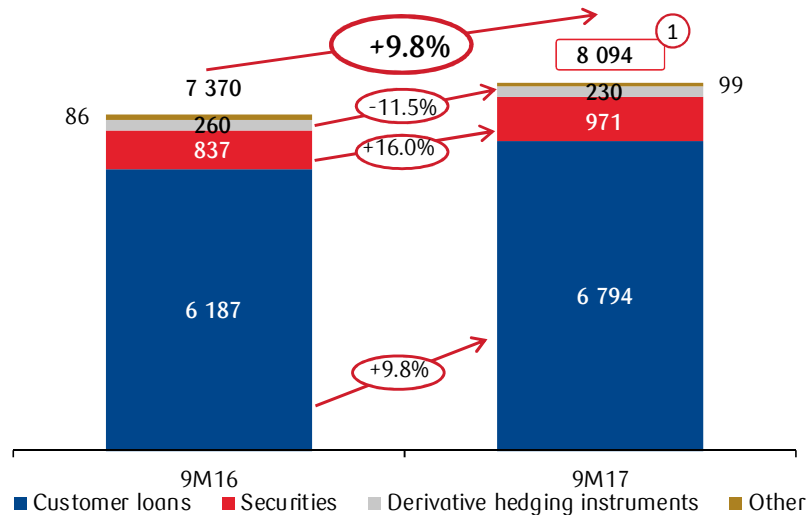
Net interest income (2)

A significant increase in interest income as a result of the increase in loans portfolio and income from securities

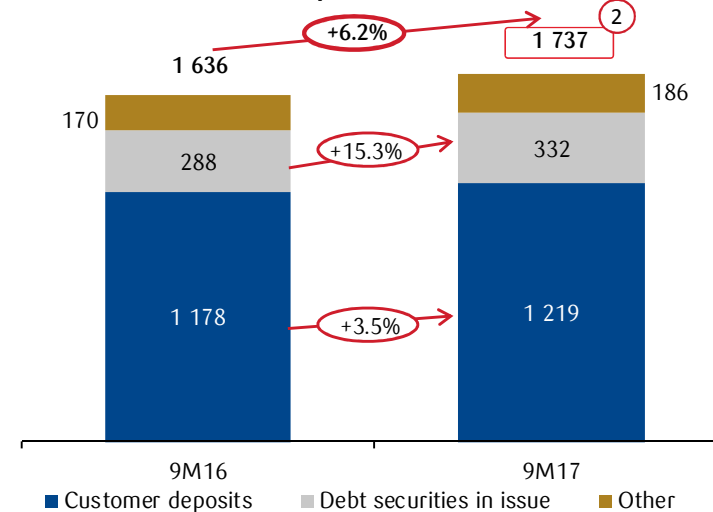


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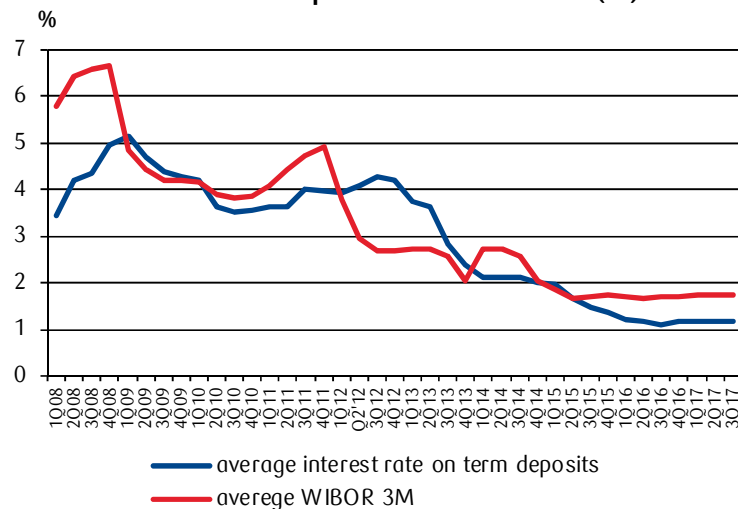
Structure of interest income (PLN mn)



Structure of interest expense (PLN mn)



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



1

After three quarters of 2017 interest income increased by 9.8 y/y, i.e. was higher by PLN 724 million, which is mainly the result of growth:

- an increase in income on loans and advances to customers (PLN +607 million y/y), mainly due to an increase in the loan portfolio, combined with a small increase in average interest rates resulted from an increase in the share of the most profitable consumer loans and lease receivables,
- an increase in income on securities of PLN 134 million y/y as a result of an increase in the average volume of the portfolio.

2

Interest expense rose by 6.2% y/y mainly due to:

- an increase in amounts due to customers of PLN 41 million y/y resulting mainly from an increase in the deposit base, combined with a decrease in the average interest rate due to changes in the maturity structure (an increase in the share of current deposits in total deposits);
- an increase in expenses relating to debt securities in issue and subordinated liabilities of PLN 44 million y/y connected with an increased level of issuance.

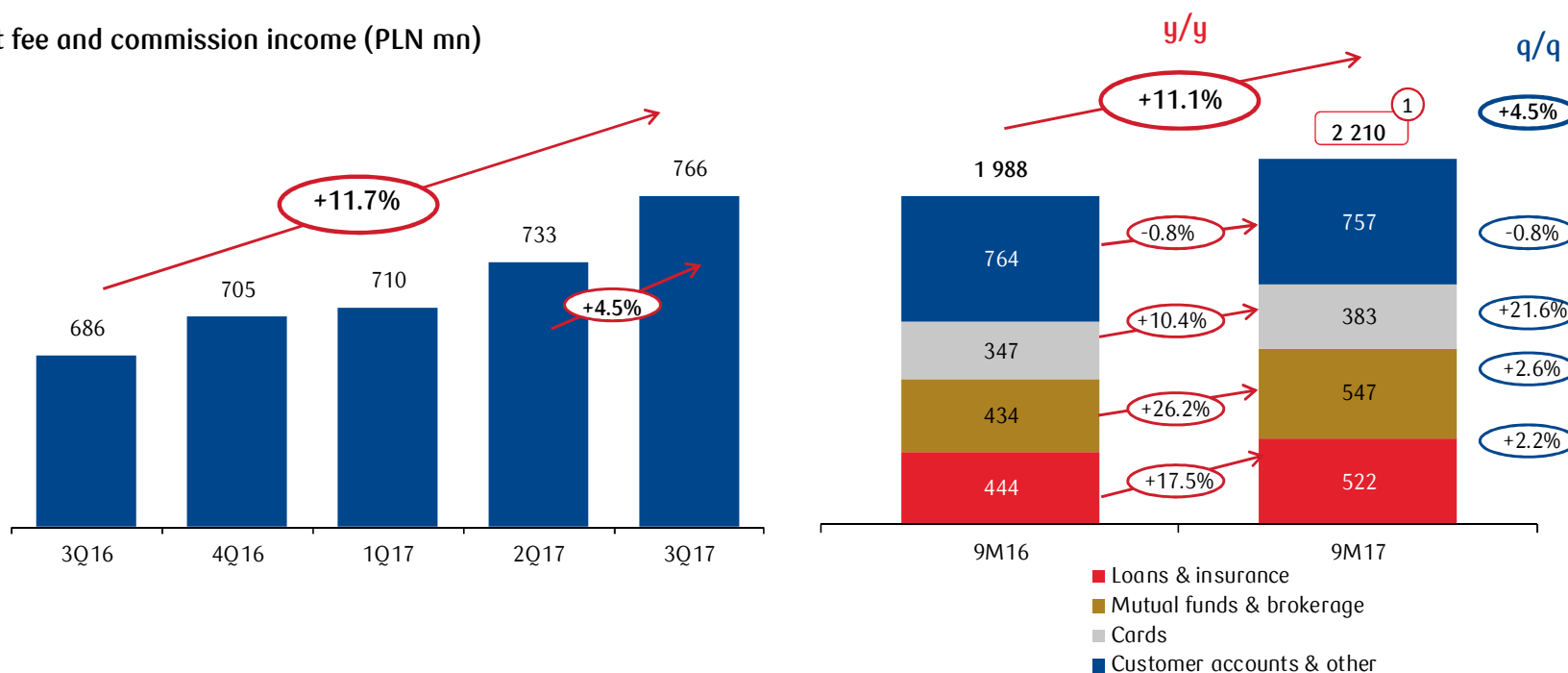
Net fee & commission income

Continued q/q increase in quarterly net fee and commission income, y/y significant increase in F&C income for the three quarters of 2017



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Net fee and commission income (PLN mn)



1

Net fee and commission income generated in the three quarters of 2017 was 11.1 % higher than in the comparable period of the prior year, mainly due to an increase in commission income, with an increase in commission expense. The level of the net commission income was driven by the increase in:

- income for servicing investment and pension funds, driven by an increased customers' interest in this form of saving as an alternative to low interest rates,
- income on brokerage activity and arrangement of issues, caused by an increase in commission on exchange trading as a result of improved situation on the WSE and the customers being more active,
- net income on payment cards, generated mainly due to a higher number of cards and the higher value of cashless transactions,
- income from offering insurance products, mainly as a result of an increase in sales of insurance products and lease receivables portfolio.

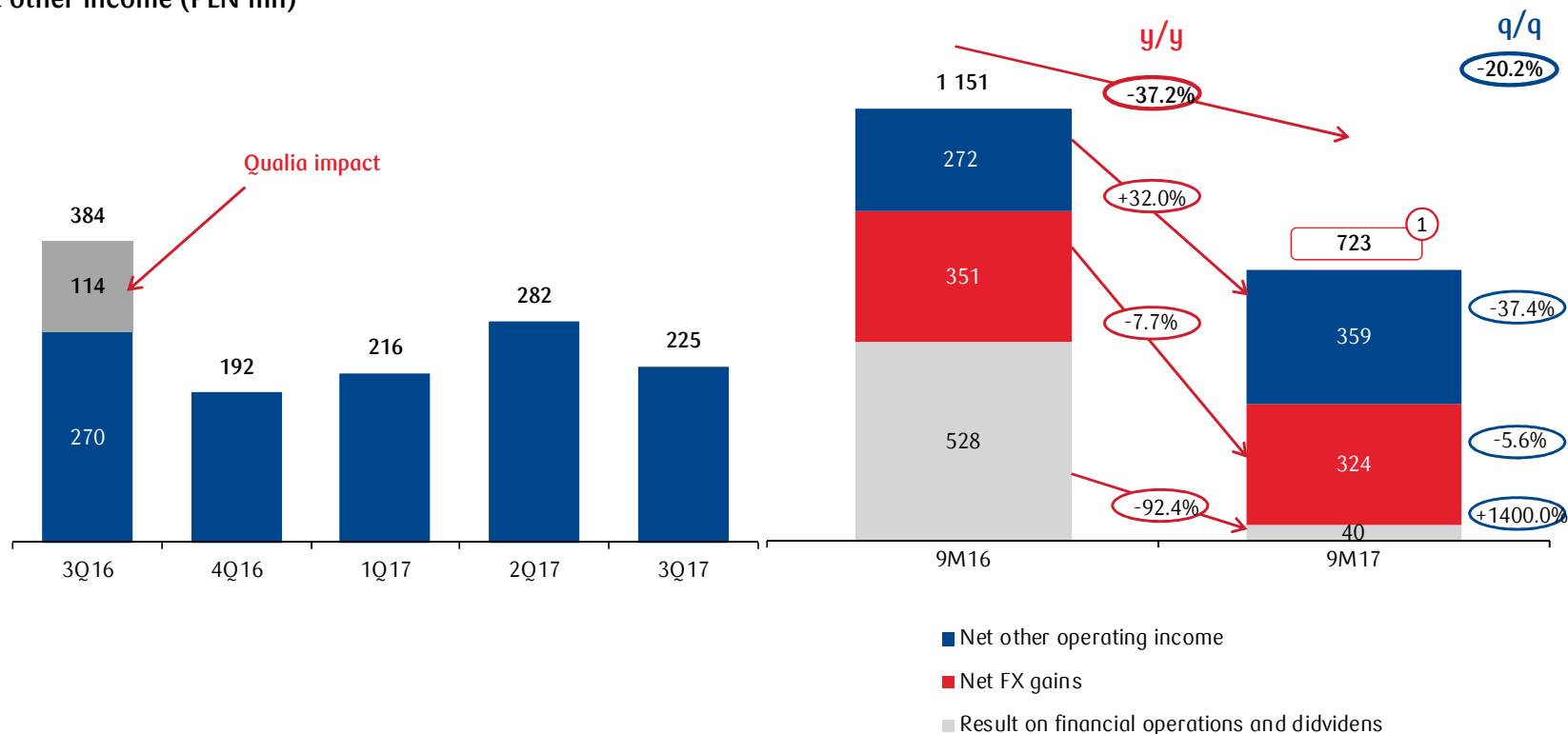
Net other income

A decrease in net other income on the quarterly basis, y/y decrease mainly determined by high reference base due to one-off event



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Net other income (PLN mn)



1

Net other income was mainly determined by the following:

- a decrease in gain less losses from investment securities, which resulted from the reference base – in June 2016 the acquisition of Visa Europe Limited by Visa Inc. was settled, which affected the profit in the amount of PLN 418 million,
- improved result on the other operating activities, mainly due to the completion of a development project and start of handing over premises to customers in one of the companies in the Group, development of life and P&C insurance companies activities (PKO Życie Towarzystwo Ubezpieczeń SA and PKO Towarzystwo Ubezpieczeń SA), and the higher contribution of lease activities.

In net other operating income – result from insurance activity in third quarter of 2017 amounted to PLN 30.8 million, PLN 6.6 million higher in comparison to previous quarter.

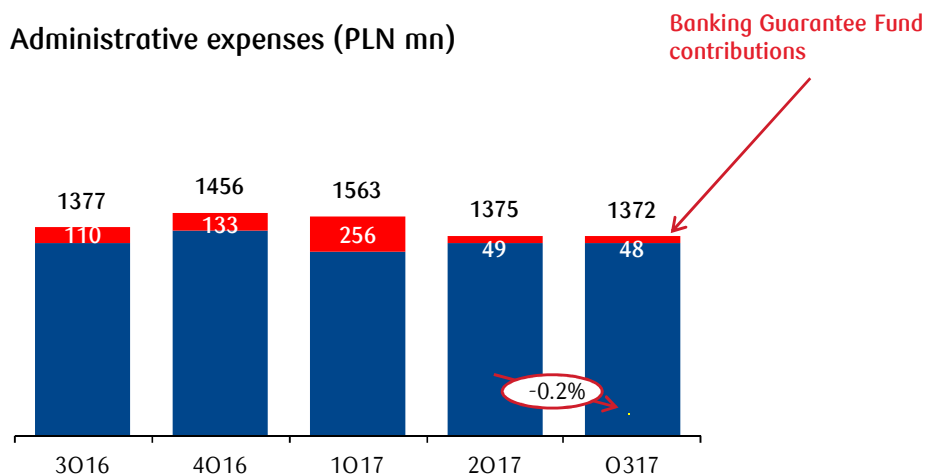
Administrative expenses

Maintaining high efficiency despite significant regulatory burden

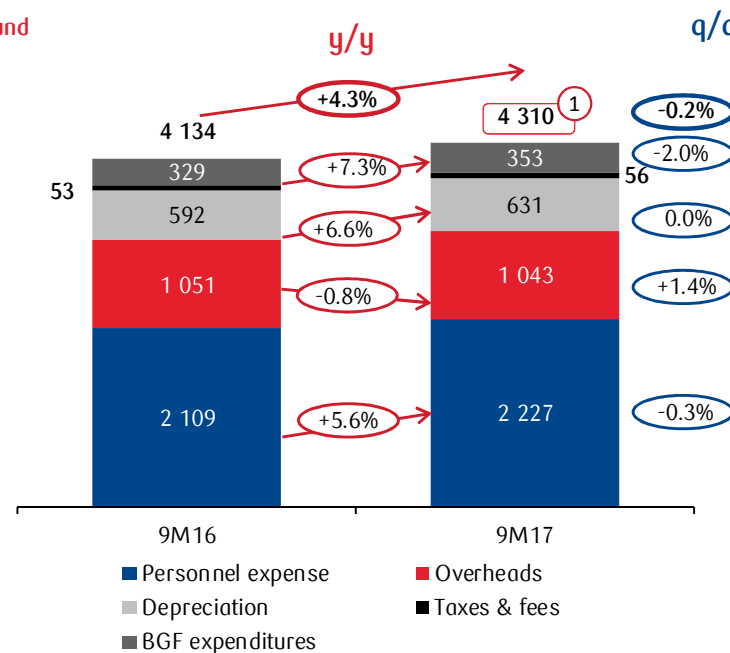
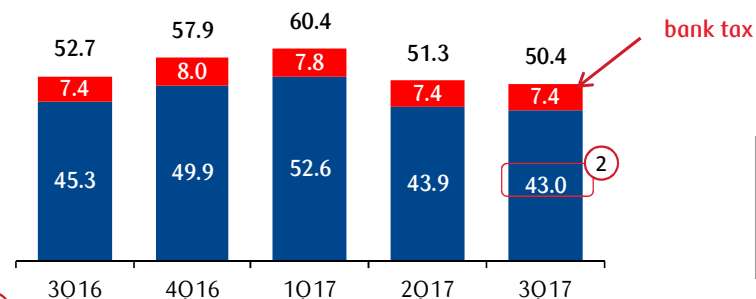


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Administrative expenses (PLN mn)



C/I ratio quarterly



Employment eop (FTEs)	9M16	9M17	Change y/y	
			FTEs	%
Bank	25 403	24 581	-822	-3.2%
Group	28 891	28 678	-213	-0.7%

After third quarter of 2017, the level of administrative expense resulted mainly from:

- an increase in the costs of employee benefits of PLN 118 million, i.e. 5.6%,
- contributions and payments to the BGF of PLN 24 million y/y, i.e. 7.3% (the result of recognizing the annual fee related to the mandatory restructuring of banks in the first quarter of 2017) and amortization and depreciation of PLN 39 million, i.e. 6.6% accompanied by a decrease in overheads.

The effectiveness of the PKO Group measured by the C/I ratio on a quarterly basis was 43.0%, compared to 43.9% realized in 2Q 2017. The C/I ratio for the last 12 months amounted to 47.2% compared to 51.9% as at the end of September 2016.

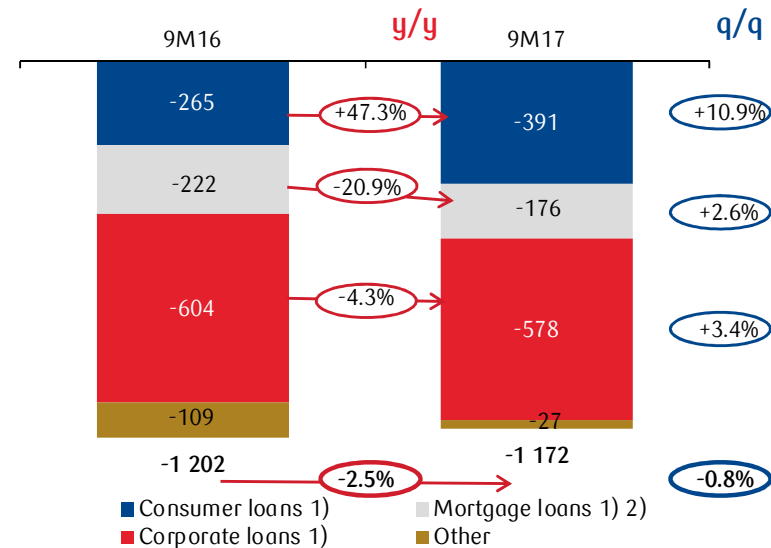
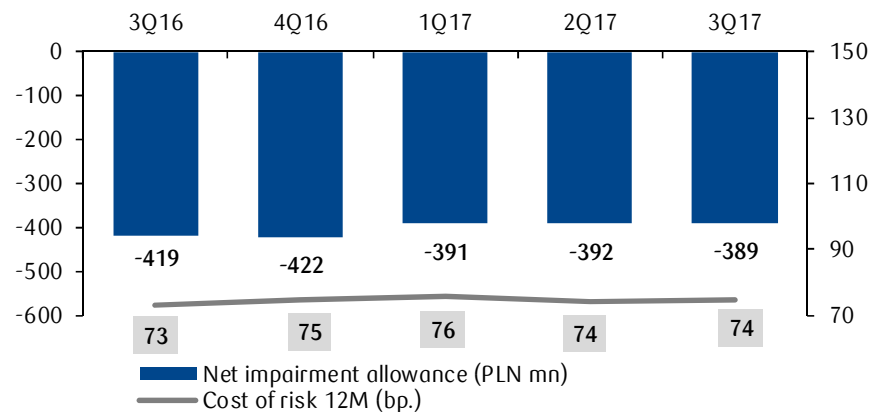
Net impairment allowance

Further improvement in share of loans with recognised impairment



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Net impairment allowance and write-offs (PLN mn)



Share of loans with recognised impairment³⁾

	9M16	9M17	Change y/y
Consumer loans	7.8%	8.6%	+0.8 pp.
Mortgage loans	2.5%	2.5%	-0.1 pp.
PLN	2.0%	1.8%	-0.2 pp.
FX	3.7%	4.1%	+0.4 pp.
Corporate loans	10.4%	8.5%	-1.9 pp.
Total	6.2%	5.6%	-0.6 pp.

1

The share of impaired loans as at the end of the third quarter of 2017 amounted to 5.6% (a decrease of 0.6 pp. compared with the end of the third quarter of 2016). The improvement in the loan portfolio quality indicators, accompanied by a 6.3% increase y/y in the gross loan portfolio, is a result of continuing the existing credit risk management policy of the Group and strict monitoring of the loan portfolio. The cost of risk as at the end of the third quarter of 2017 amounted to 74 bp. and was at the comparable level with that at the end of the third quarter of 2016.

(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

Any differences in total balances, shares and growth rates result from rounding of balances to PLN million and percentage shares to one decimal place.

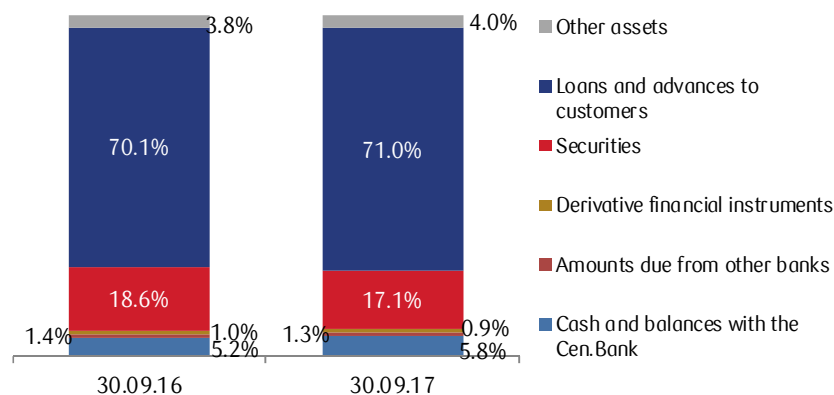
Consolidated statement of financial position

Safe structure of the balance sheet has been maintained



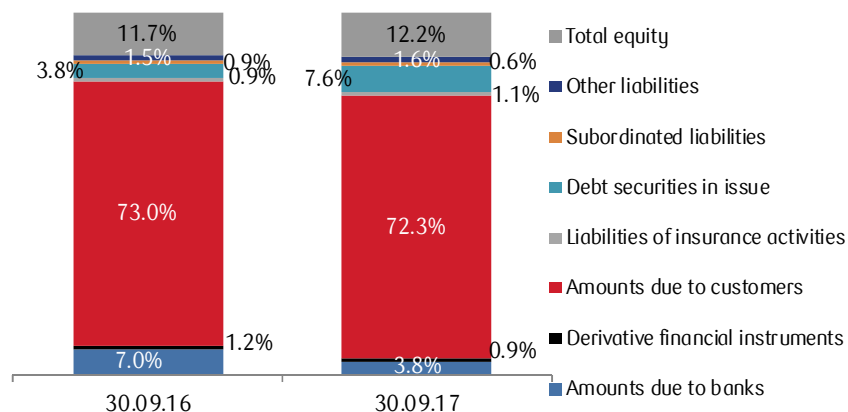
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Total assets



	PLN bn	30.09.16	30.09.17	Change y/y
Cash and balances with the Cen.Bank		14.3	16.9	+17.7%
Amounts due from other banks		3.7	3.7	-1.9%
Derivative financial instruments		2.6	2.6	-2.5%
Securities		51.2	49.5	-3.2%
Loans and advances to customers		193.2	205.8	+6.5%
Other assets		10.6	11.5	+9.1%
Total assets		275.6	290.0	+5.2%

Total equity and liabilities



	PLN bn	30.09.16	30.09.17	Change y/y
Amounts due to banks		19.2	11.1	-42.1%
Derivative financial instruments		3.4	2.6	-25.0%
Amounts due to customers		201.2	209.7	+4.2%
Liabilities of insurance activities		2.6	3.1	+19.3%
Debt securities in issue		10.4	22.0	+110.8%
Subordinated liabilities		2.5	1.7	-31.6%
Other liabilities		4.1	4.5	+12.1%
Total equity		32.3	35.3	+9.3%
Total equity and liabilities		275.6	290.0	+5.2%

Loans and deposits

Stable growth of the scale of operations

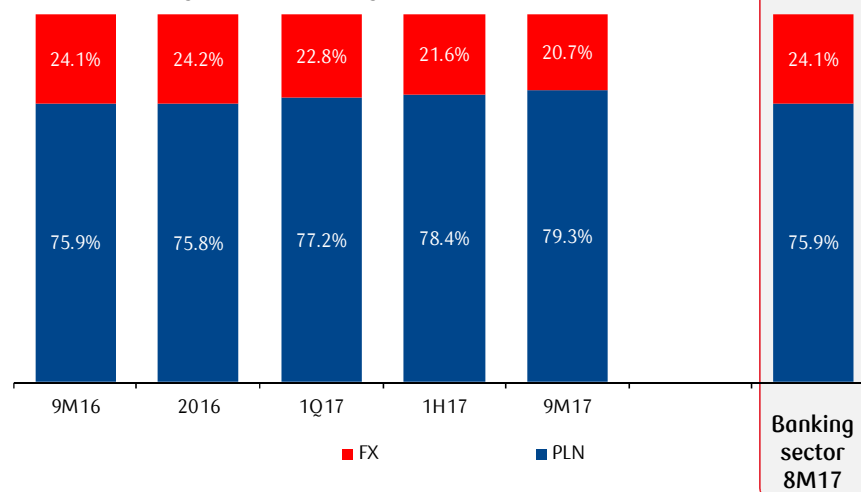


Bank Polski

Gross loans (PLN bn)

9M16	2016	1Q17	1H17	9M17
201.3	208.6	208.7	212.7	214.0

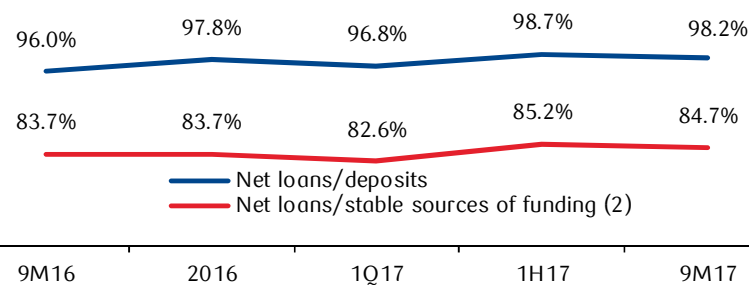
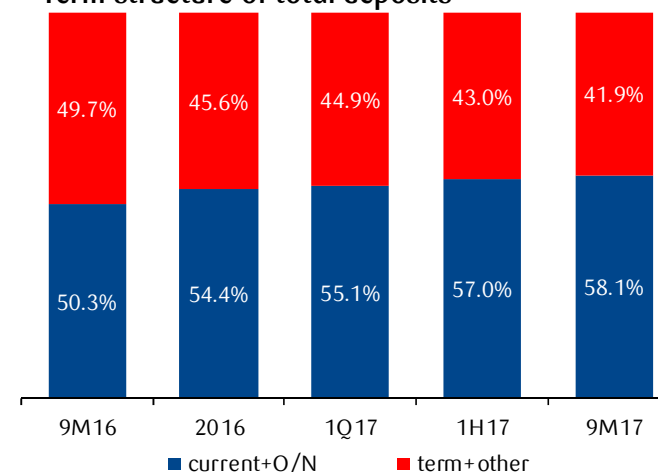
Currency structure of gross loans portfolio



Deposits(1) (PLN bn)

9M16	2016	1Q17	1H17	9M17
201.2	205.1	207.1	207.2	209.7

Term structure of total deposits¹⁾



1) The increase in the volume of loans by 6.3% y/y mainly as a result of growth in consumer loans.

2) Growth in deposits by 4.2 % y/y mainly due to an increase in deposits of individual customers and corporate 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

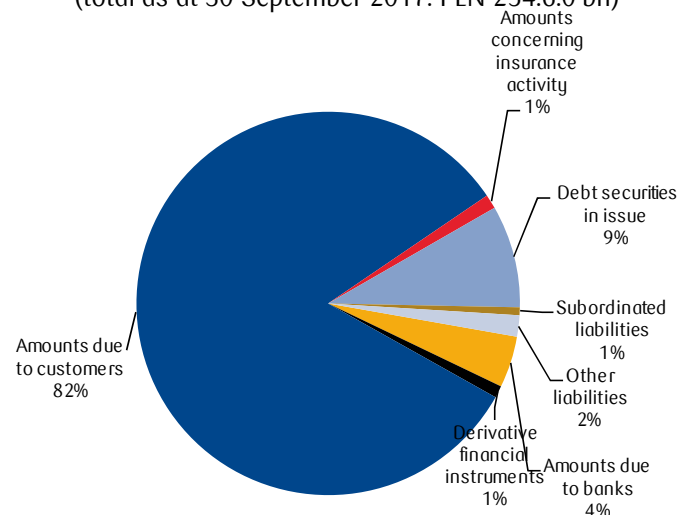
Well-diversified sources of funding



Bank Polski

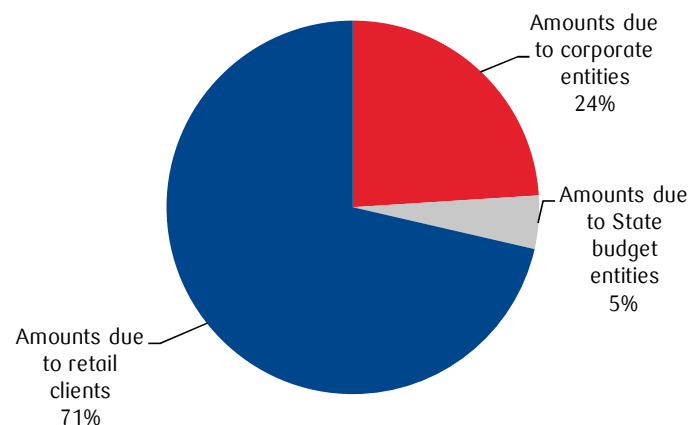
Liabilities structure

(total as at 30 September 2017: PLN 254.6.0 bn)



Deposit structure

(total as at 30 September 2017: PLN 209.7 bn)



Retail and corporate deposits are the primary funding source.

Financing agreements as at the end 3Q 2017 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
- EUR 750 mn 4Y bond issued in July 2017
- multi-currency (CHF 3,365.4 mn, EUR 429.6 mn and USD 3.4 mn) credit from Nordea Bank AB opened in April 2014, as at the end of September 2017 the amount of debt was at the level of CHF 2.065 mn and EUR 393 mn
- PLN 1,7 bn 10Y subordinated bond issued in August 2017

Covered bonds and bonds issued by PKO Bank Hipoteczny as at the end of 3Q 2017 included:

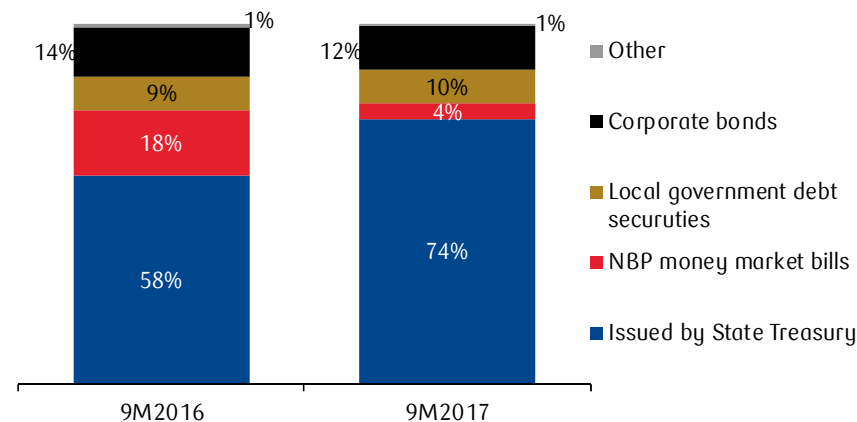
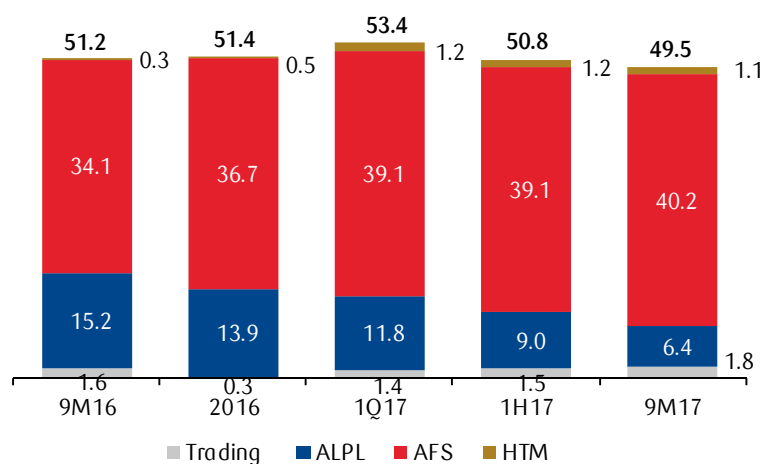
- PLN 1,030 mn 5Y covered bonds, issued in December 2015, April 2016, June 2016
- EUR 500 mn 5.8Y covered bonds issued in October 2016, under Rule S
- EUR 25 mn 7Y covered bonds issued in February 2017, under Rule S
- EUR 500 mn 5.10Y covered bonds issued in March 2017, under Rule S
- PLN 500 mn 5.1Y covered bonds issued in April 2017
- PLN 265 mn 5.3Y covered bonds issued in June 2017
- EUR 500 mn 6.11Y covered bonds issued in September 2017, under Rule S
- PLN 2.216.3 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

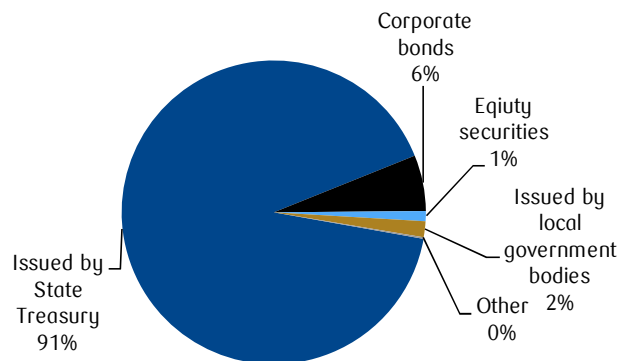


Bank Polski

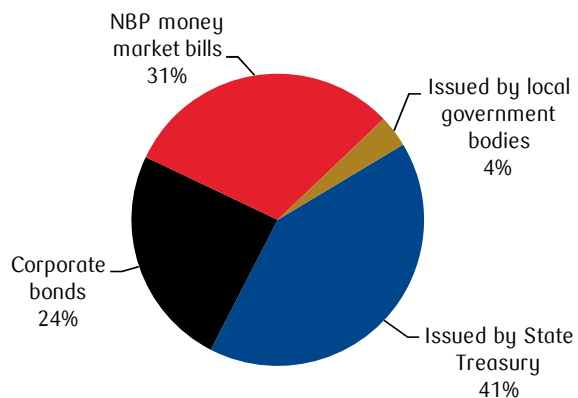


Structure as at 30/09/2017

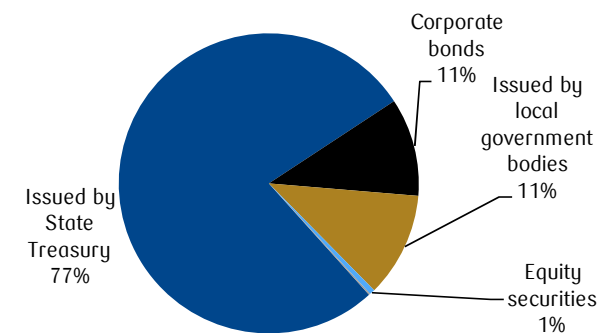
Trading assets



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



Investment securities available for sale (AFS)





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Risk management

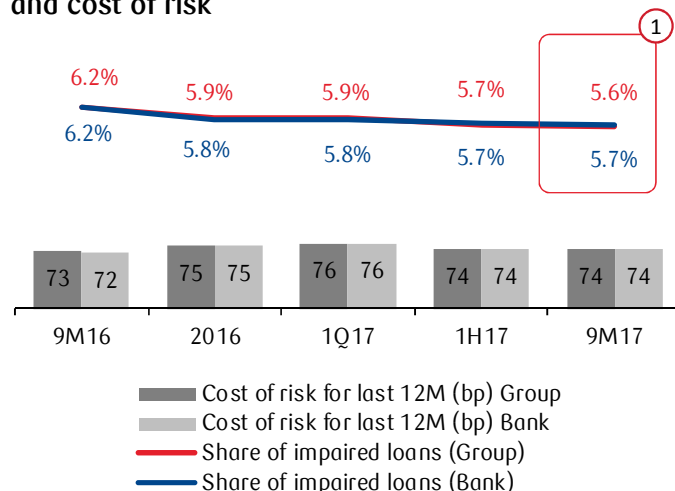
Loan portfolio quality

Cost of risk at stable level

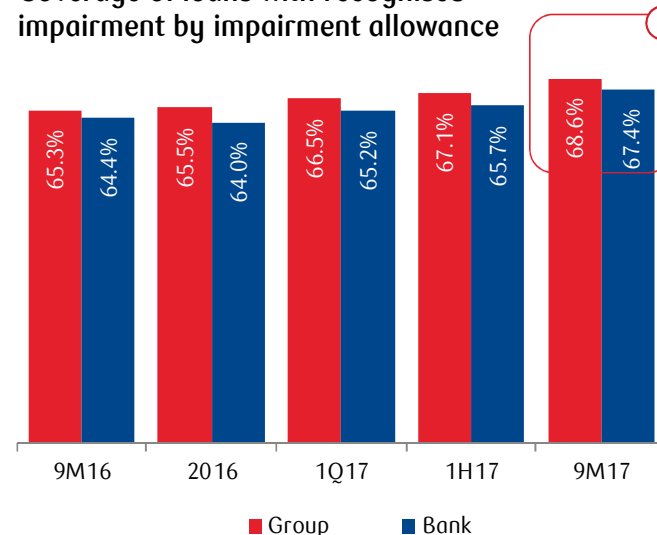


Bank Polski

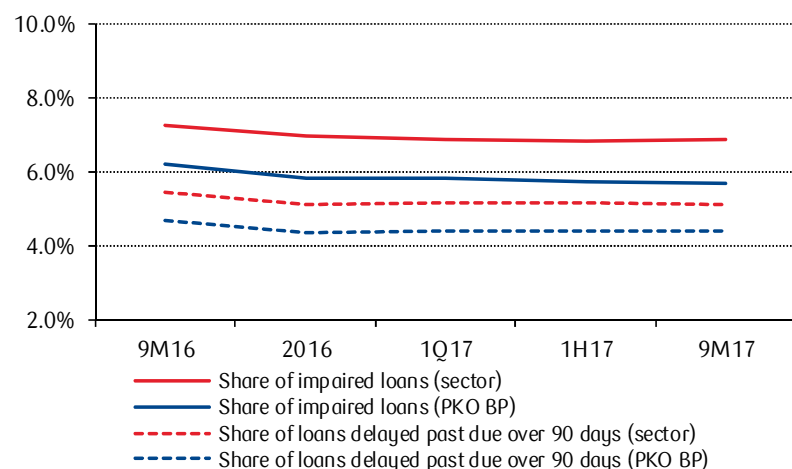
Share of loans with recognised impairment and cost of risk



Coverage of loans with recognised impairment by impairment allowance



Quality of loan portfolio vs. banking sector



1 As compared to previous quarter maintenance the cost of risk at the same level, both for the Bank and the Group. The level of cost of risk resulted mainly from one-off event related to creation of write-downs on entities from the renewable energy sector, which was compensated by the lack of new non-performing loans.

2 Continued improvement in coverage of loans with recognised impairment by impairment allowance in relation to the previous quarter, as a result of one-off events related to the increasing the level of write-downs on entities from the renewable energy sector.

Source: Own calculations based on PFSA data for the banking sector, as at the end of 31.08.2017r..

Loan portfolio quality

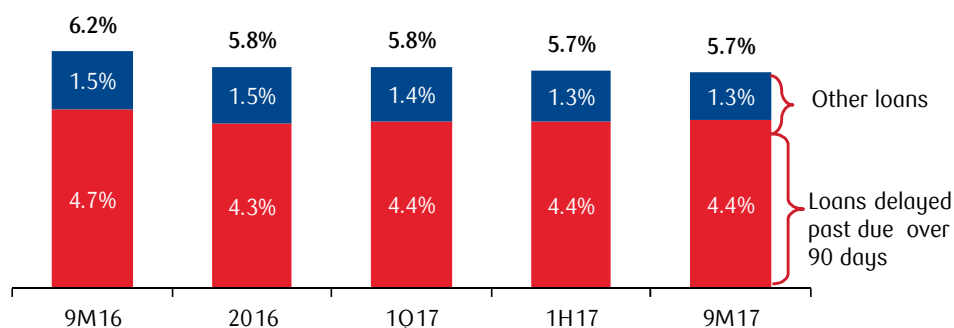
Stable cost of risk level accompanied with stable share of loans with recognised impairment



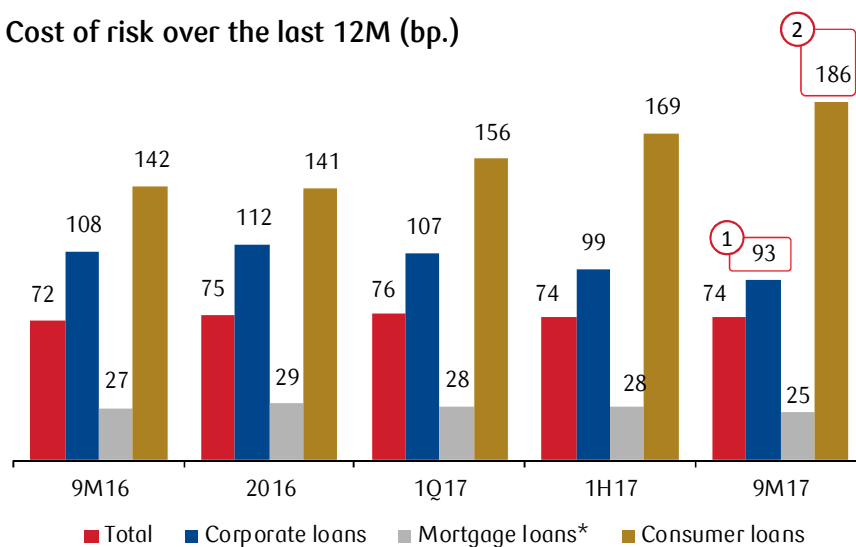
Bank Polski

Standalone data

Share of loans with recognised impairment

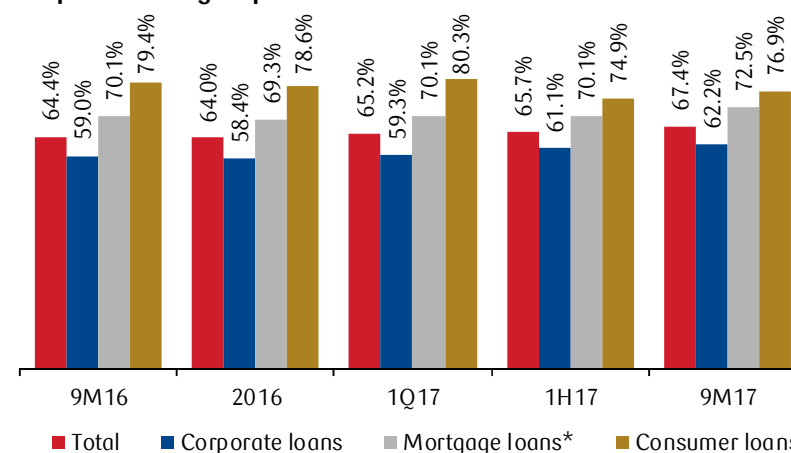


Cost of risk over the last 12M (bp.)



* Includes data of PKO Bank Polski and PKO Mortgage Bank

Coverage of loans with recognised impairment by impairment allowance



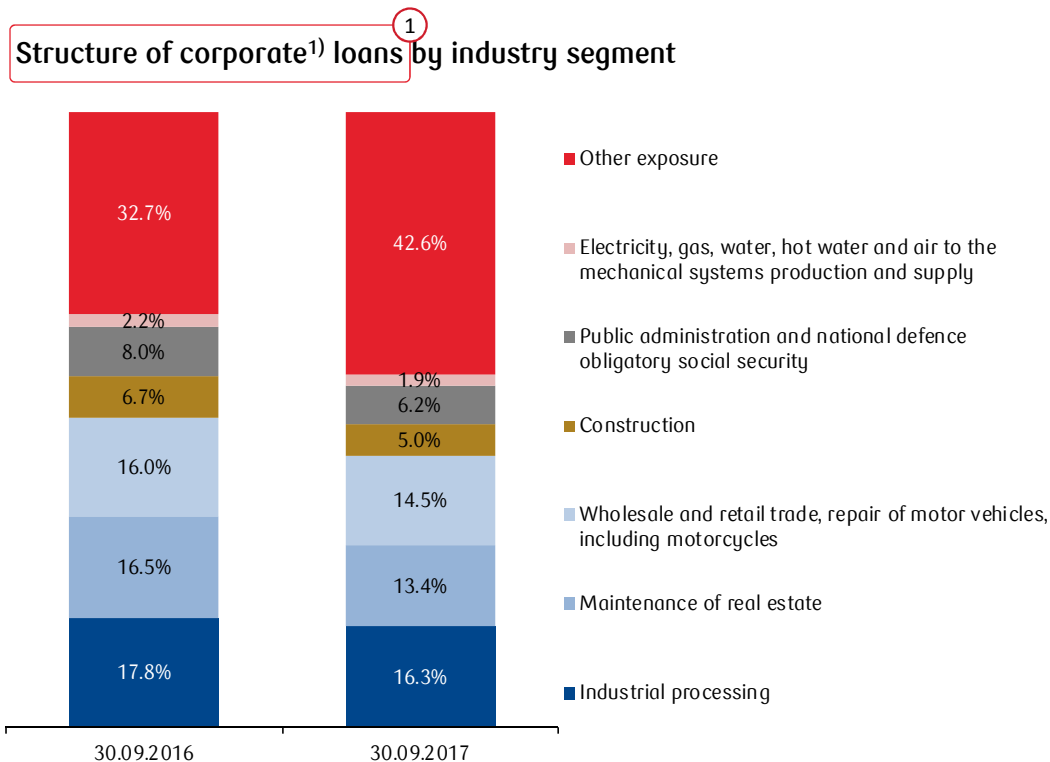
- 1 Improvement in corporate loans cost of risk due to the lack of recognition of new non-performing loans and effective debt collection.
- 2 The increase in the consumer loans cost of risk, as a result of creation of write-downs on low amount receivables, related to current accounts.

Credit risk concentration

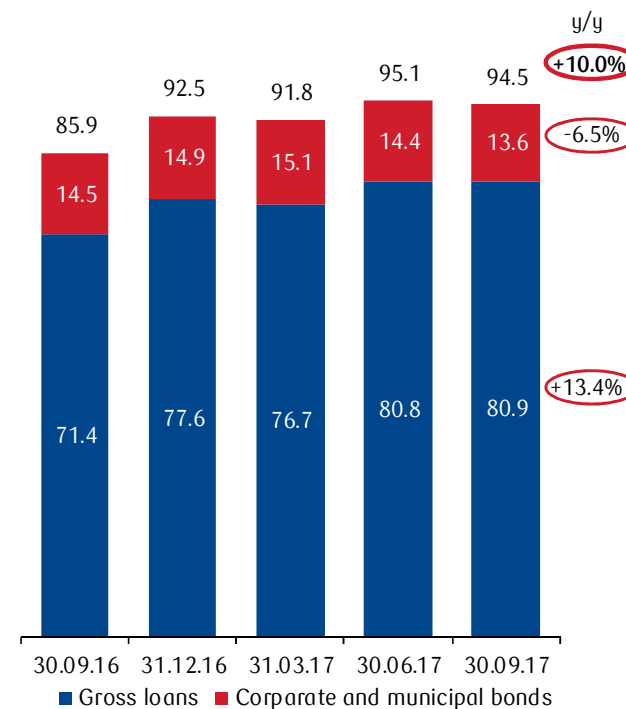
Highly diversified loan portfolio



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Receiveables due from corporate¹⁾ entities (PLN bn)



1

The highly diversified structure of the loan portfolio indicates low sector concentration. In 3Q 2017 the biggest share in the portfolio had a section „Industrial processing" (16.3%), whose share in the portfolio decreased by 1.5 pp. y/y. The largest decline of the share in the portfolio (-3.1 pp. y/y) was on the section „Maintenance of real estate".

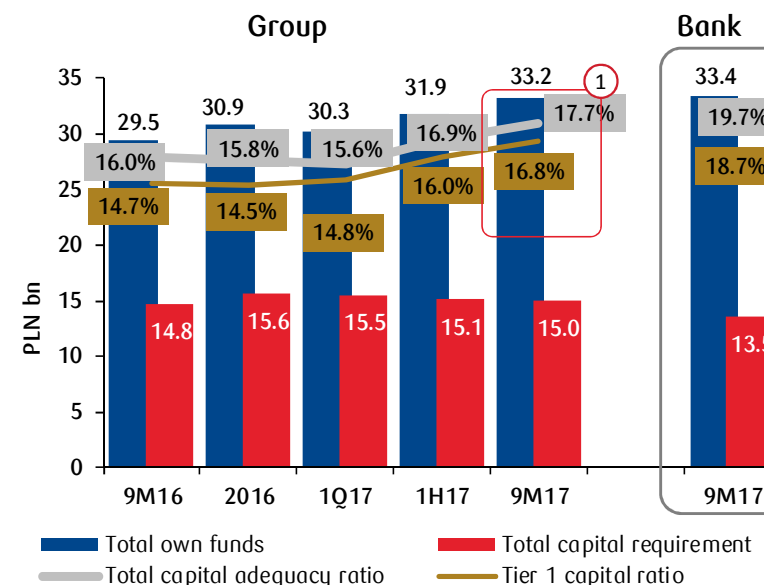
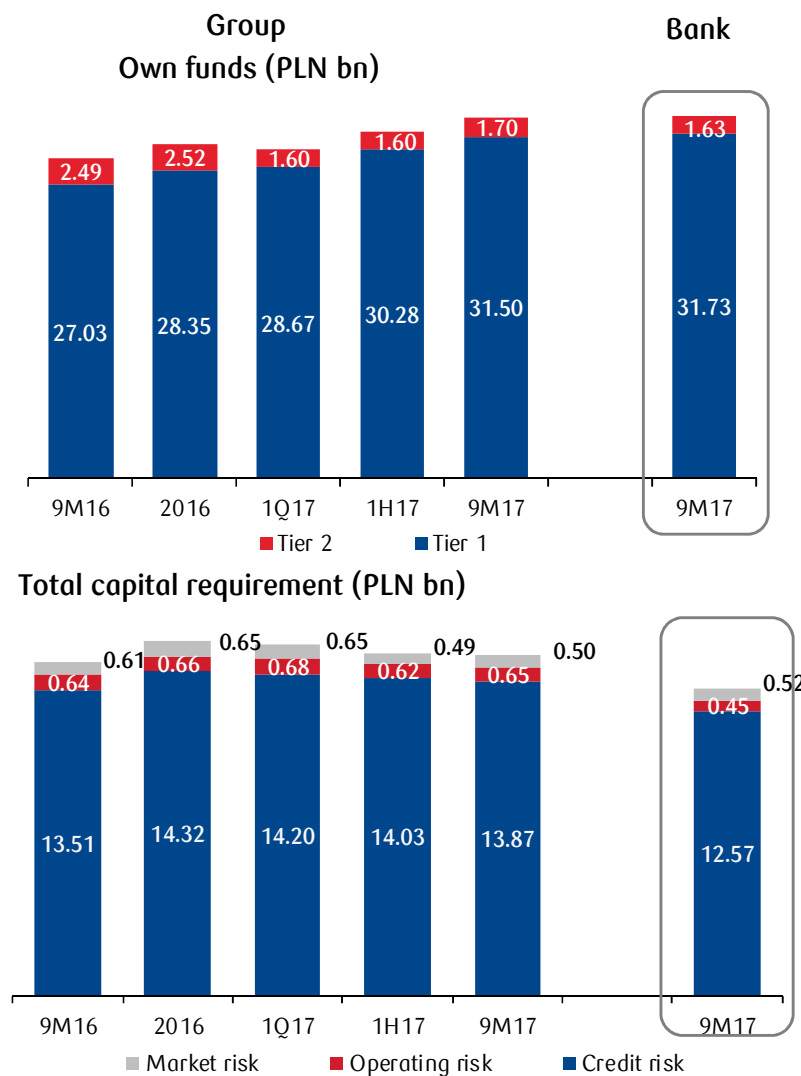
(1) Gross loans of non-financial and state budget entities

Capital adequacy (1)

Solid capital position



Bank Polski



1 The level of capital adequacy ratios of the Group remained at a safe level, above regulatory requirements. Current level of adequacy ratios is mainly determined by:

- retaining the profit for 2016 of PLN 2.9 billion, which resulted in an increase in own funds of PLN 1.3 billion because a part of the profit generated in the period from January 2016 to September 2016 of PLN 1.6 billion was already classified to own funds based on approval obtained from the PFSA in 2016.
- classifying a part of the profit generated in the first half of 2017 of PLN 1.1 billion to Tier I funds, upon being granted the consent of the PFSA,
- decrease in Tier II own funds, by PLN 0.9 billion due to repayment of a subordinated loan denominated in CHF, according to the call option,
- strengthening of the zloty, which translated into the decrease in the own funds requirement.

Capital adequacy (2)



Bank Polski

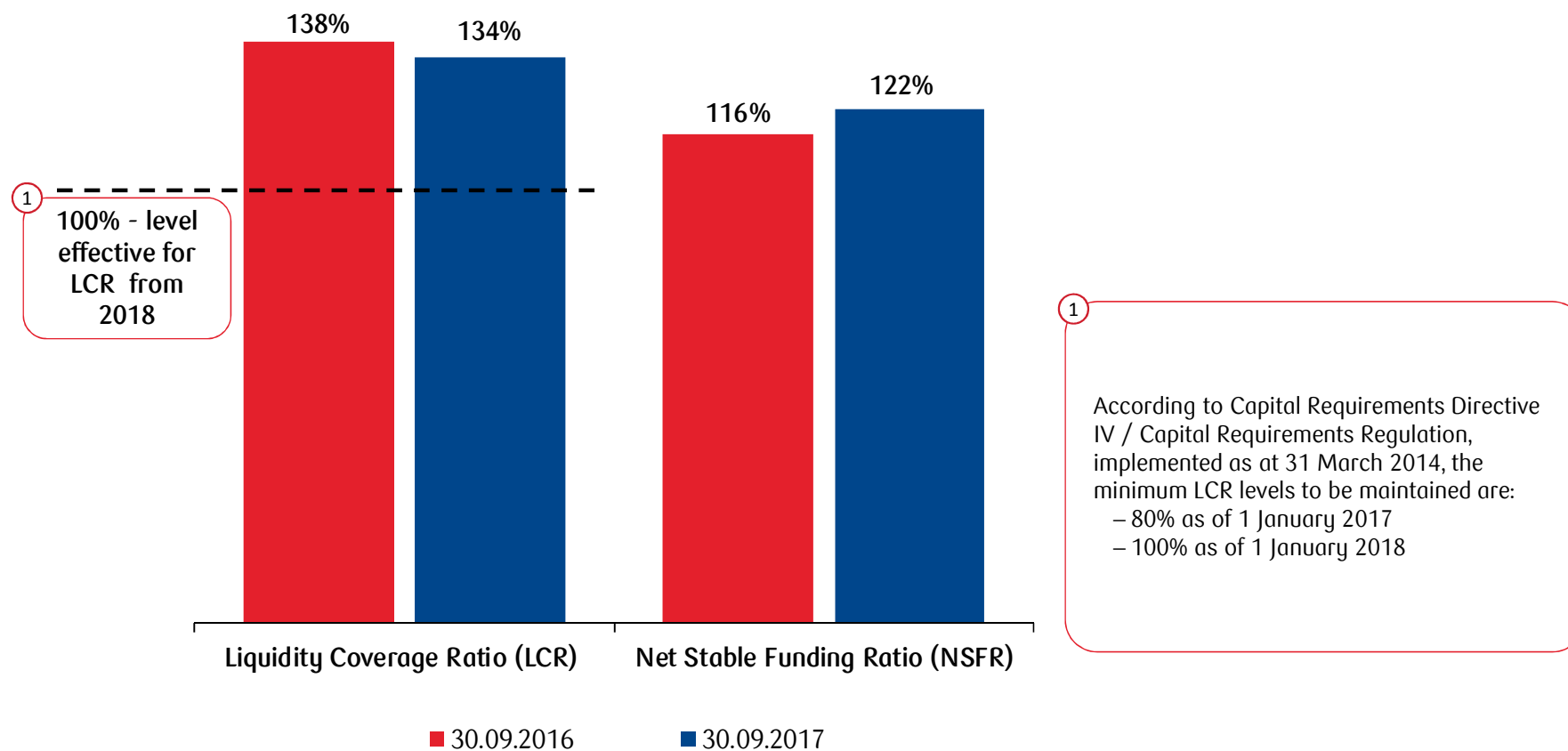
		Tier 1 ratio (T1)		Total Capital Ratio (TCR)		Tier 1 ratio (T1)		Total Capital Ratio (TCR)		
		Minimum regulatory capital ratios for Group				Minimum regulatory capital ratios for Bank				
Current levels										
Banking Law / CRR		6.00%		8.00%		6.00%		8.00%		
Conservation buffer (PFSA's decision from 2015/10/22)		1.25%		1.25%		1.25%		1.25%		
O-SII buffer (PFSA's decision from 2016/10/10)		0.75%		0.75%		0.75%		0.75%		
Additional capital (PFSA's decision from 2016/12/29)		0.59%		0.79%		0.62%		0.83%		
Minimum regulatory capital ratios		8.59%		10.79%		8.62%		10.83%		
Levels from 1 January 2018										
Conservation buffer - change of level		1.875%		1.875%		1.875%		1.875%		
systemic risk buffer - new buffer		3.00%		3.00%		3.00%		3.00%		
Minimum regulatory capital ratios		12.22%		14.42%		12.25%		14.46%		
		Minimum capital ratios for Group - dividend payment policy				Minimum capital ratios for Bank - dividend payment policy				
PFSA's statement as of 2016/12/6 regarding banks' dividend payment	50%	14.59%		14.79%		up to 50%	14.62%		14.83%	
	100%	14.59%		17.79%		up to 100%	14.62%		17.83%	

Liquidity ratios

LCR level significantly above the regulatory standards



Bank Polski





Bank Polski

Business activity by segment

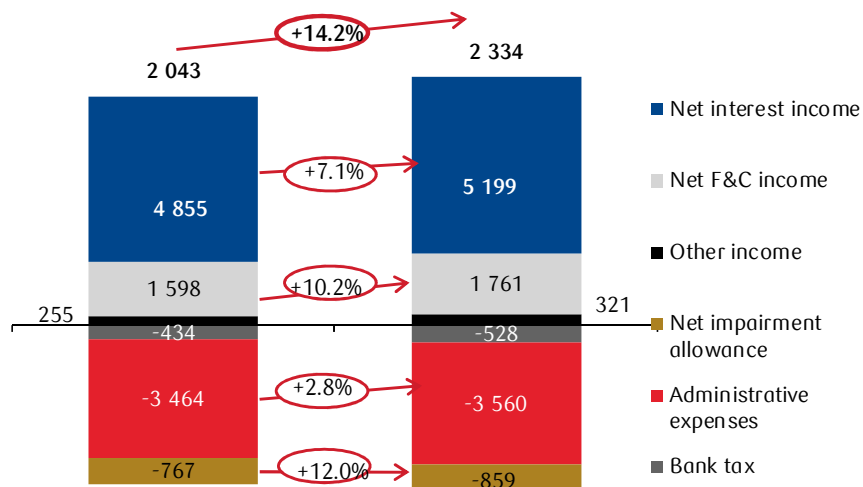
Segment results: Retail Banking

Increase in the net interest and net F&C income

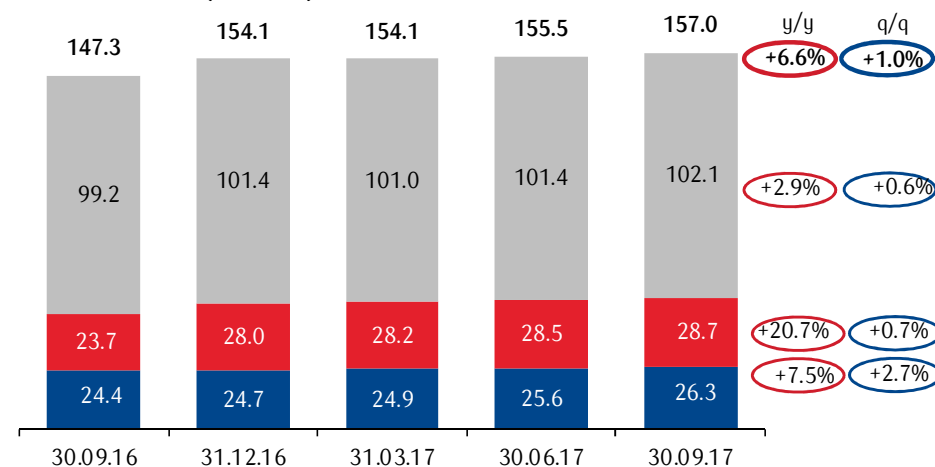


Bank Polski

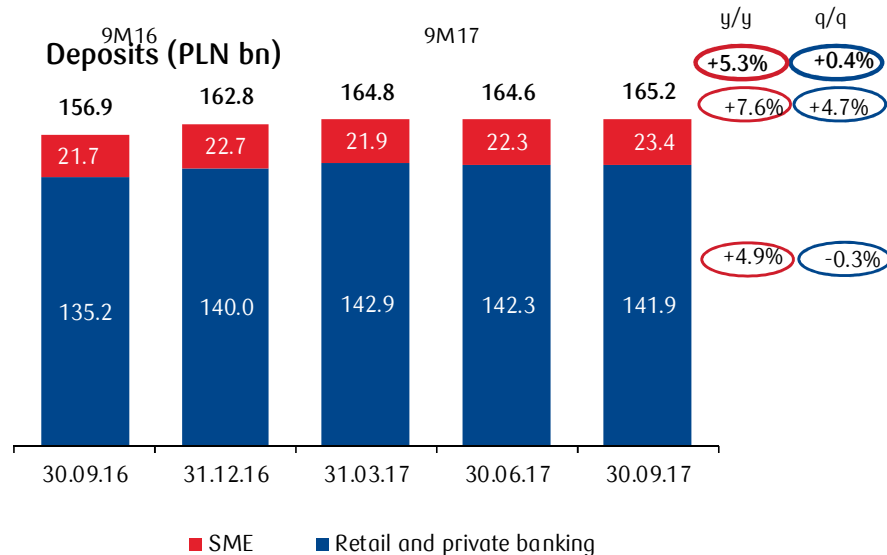
Gross financial result of retail segment (PLN mn)



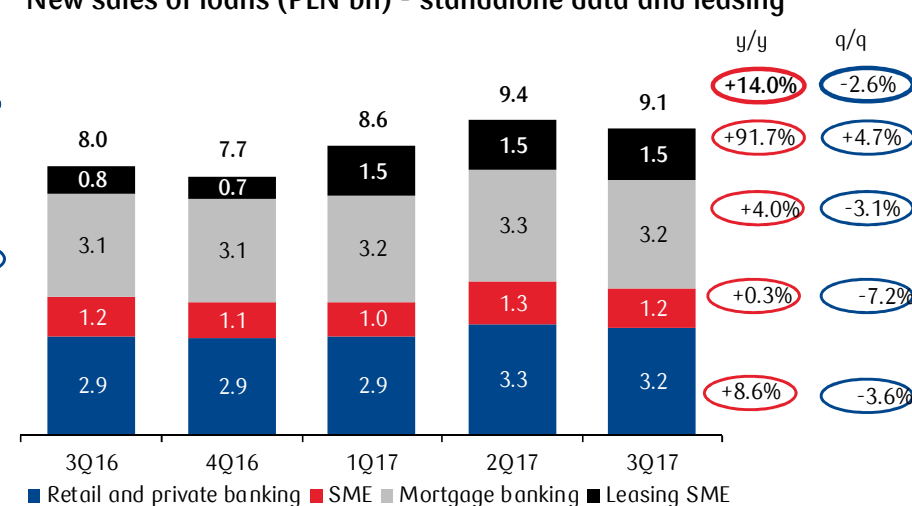
Gross loans (PLN bn)



Deposits (PLN bn)



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



*) Does not include renewals of SME loans, which in 3Q17 amounted to ca. PLN 891.6 mn

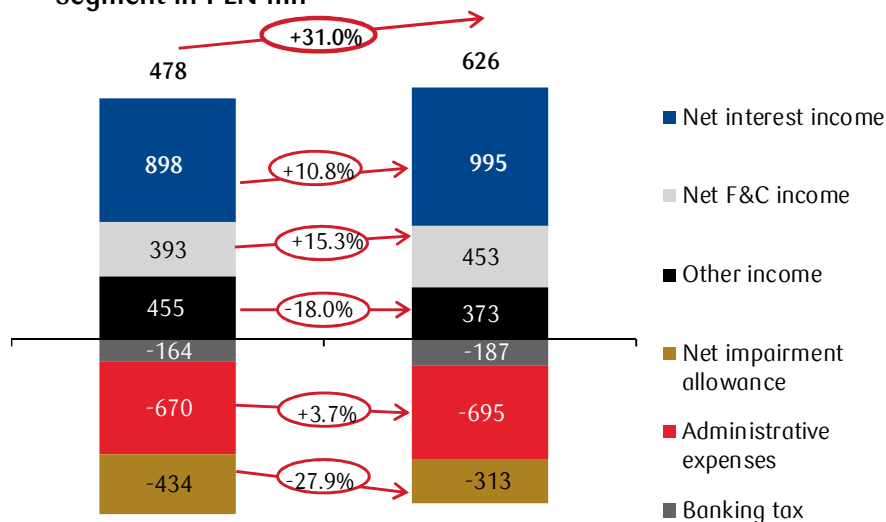
Segment results: Corporate and Investment Banking

An increase in the segment's result is mainly associated with an increase in net interest and F&C income

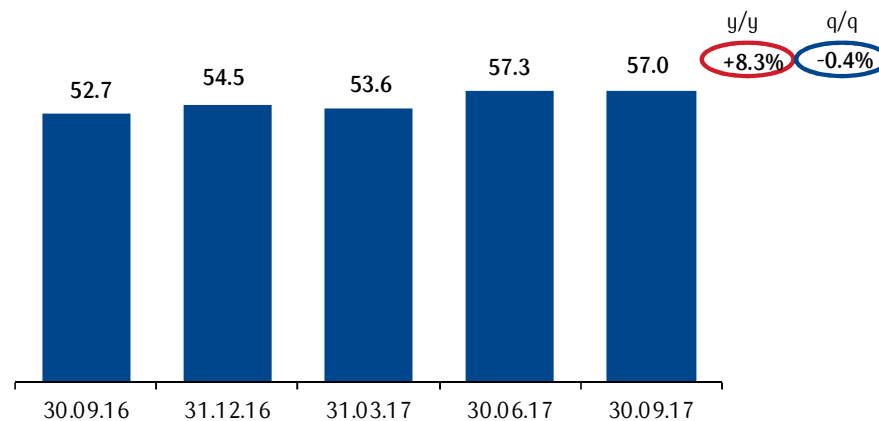


Bank Polski

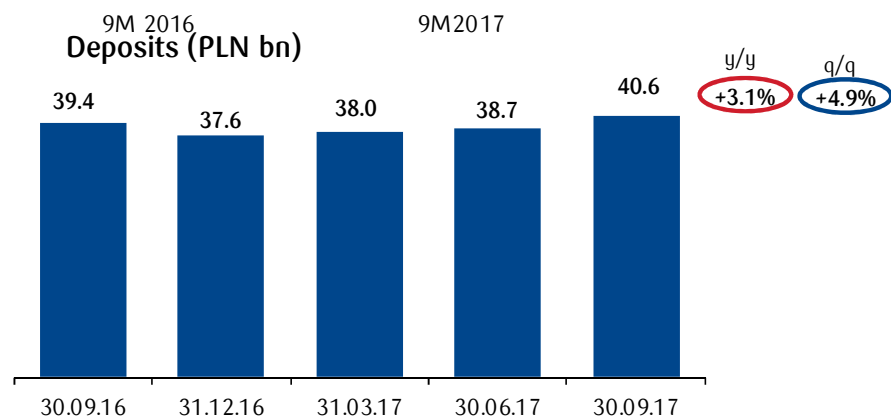
Gross financial result of the corporate and investment segment in PLN mn



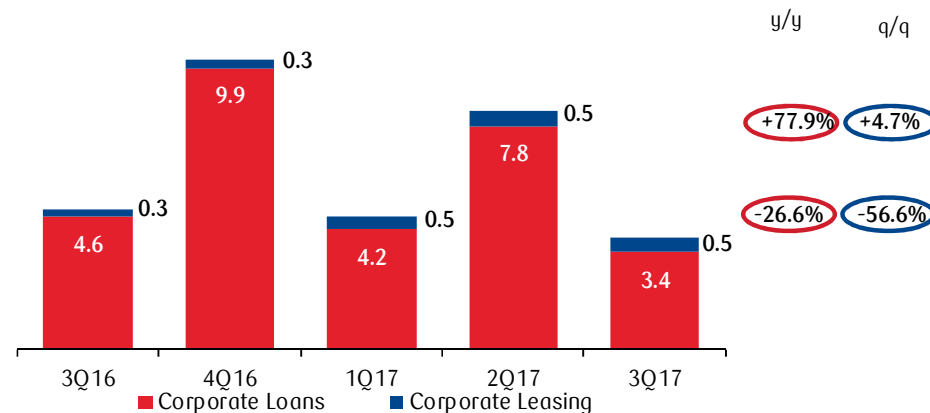
Gross loans (PLN bn)



9M 2016
Deposits (PLN bn)



New loan sales (PLN bn), standalone data and leasing*



* The decline in the first quarter of 2017 resulted from the fact that in the 4Q 2016 the financing of GK PKO Bank Polski companies was recognized. In the second quarter Bank signed a significant loan agreement with one of its customer.



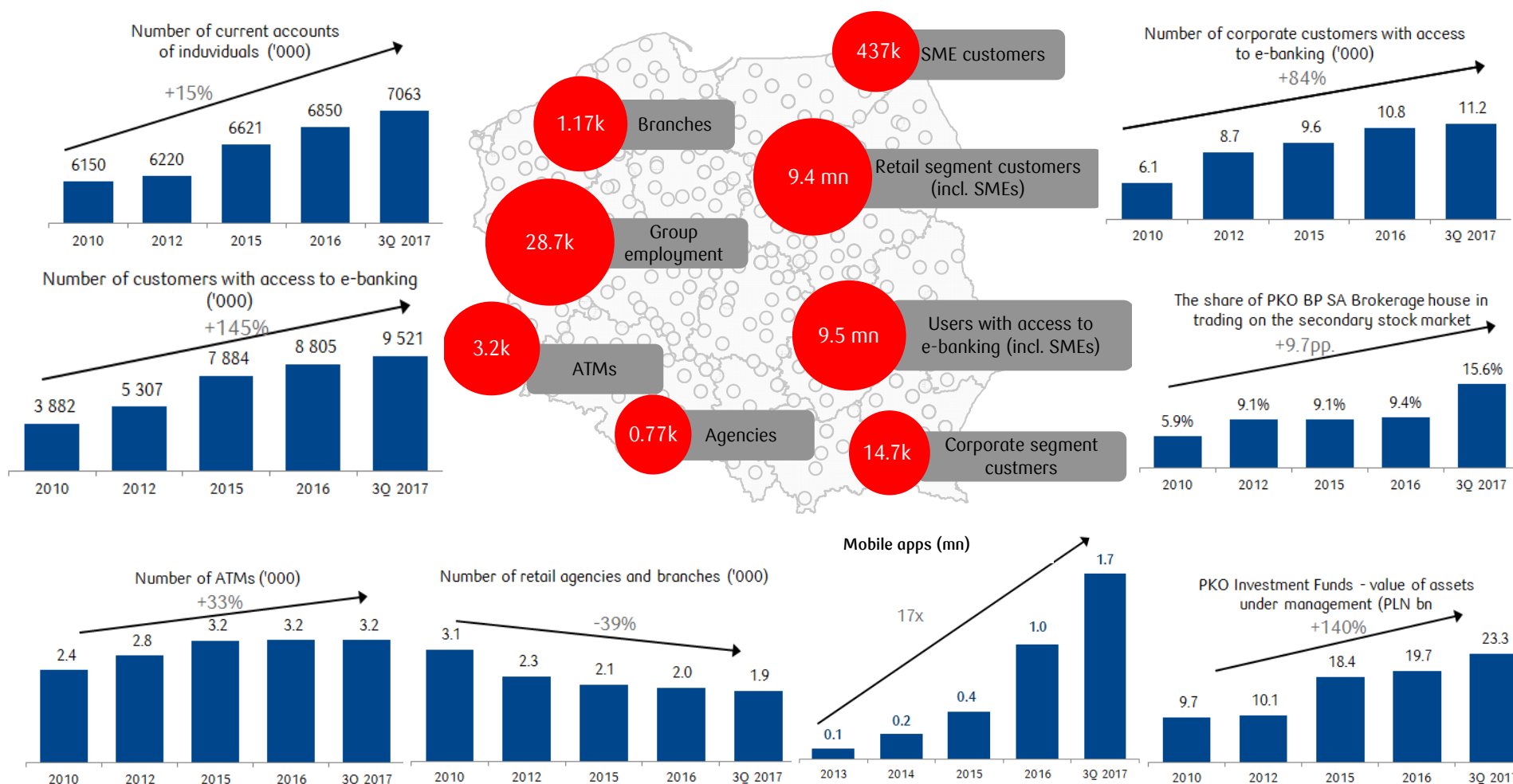
Bank Polski

Additional information

PKO Bank Polski - undisputed leader of the Polish banking sector



Bank Polski



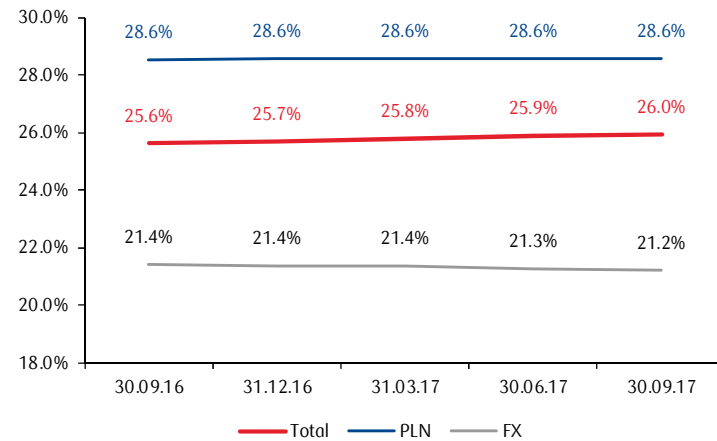
Retail segment – mortgage loans



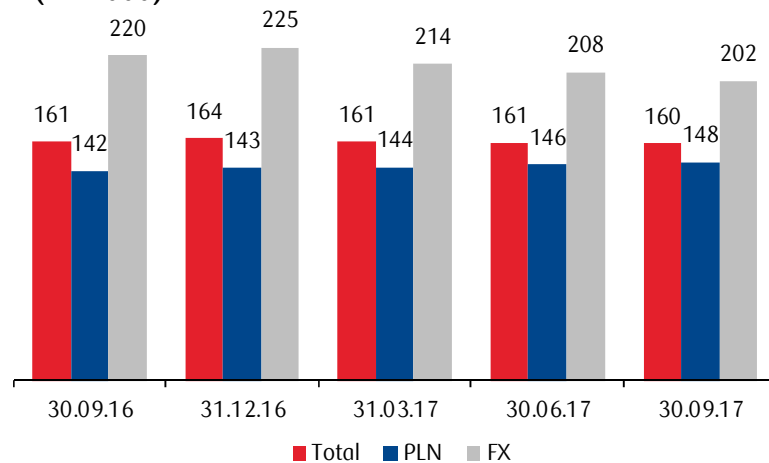
Bank Polski

Standalone data

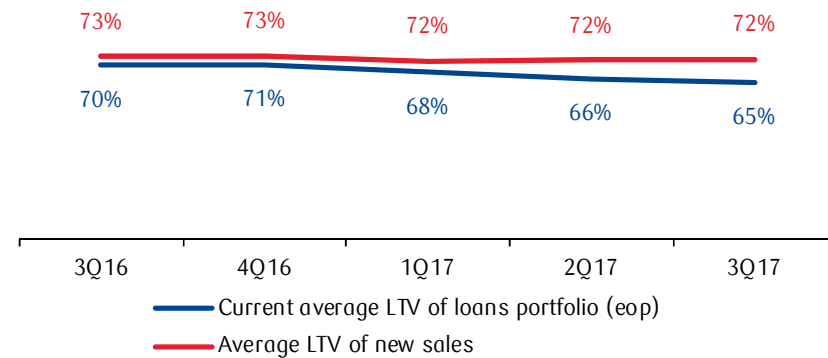
Market share of FX mortgage loans *



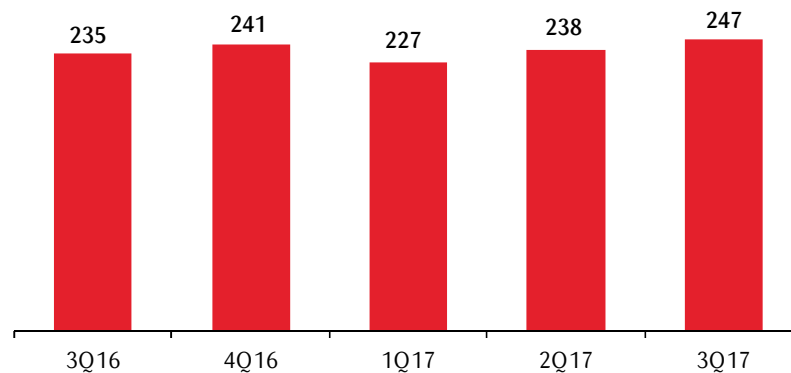
Average carrying value of mortgage loan (PLN'000) *



Average LTV *



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



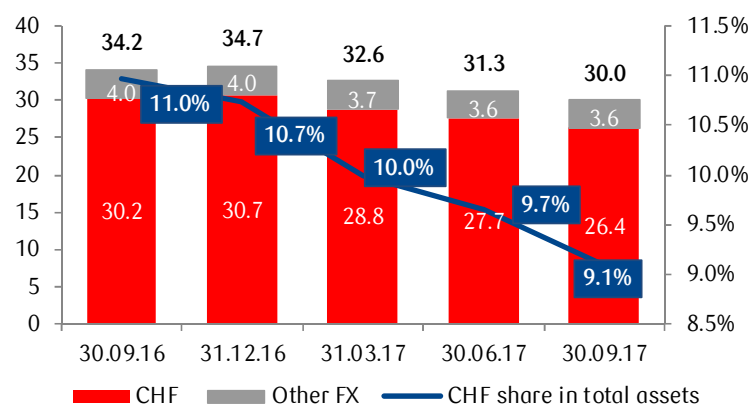
* Includes data of PKO Bank Polski and PKO Mortgage Bank

CHF denominated mortgage loans portfolio

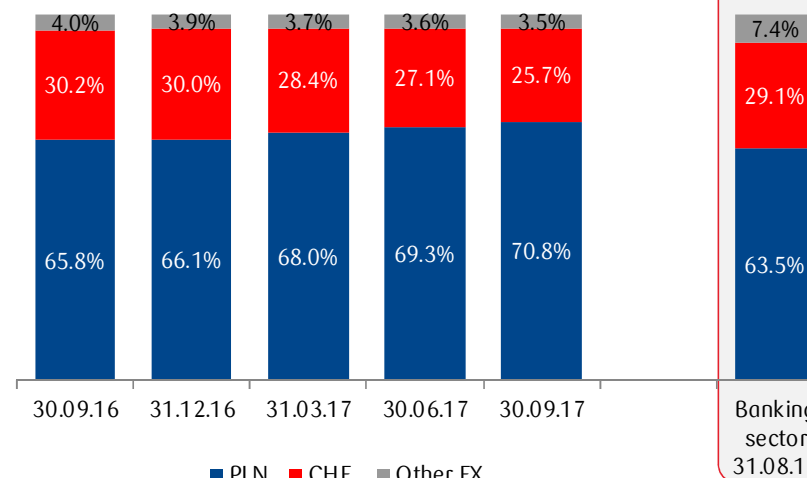


Bank Polski

Volume of FX mortgage loans (PLN bn eop) *



Structure of mortgage loans by currency *



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

- 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.

* Includes data of PKO Bank Polski and PKO Mortgage Bank

PKO Bank Hipoteczny: leader of the covered bonds market in Poland

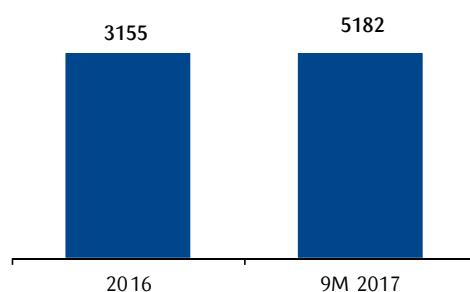


Bank Polski

Summary of Mortgage Covered Bonds issued in 2015-2017

Amount	Currency	Issue date	Maturity date	Remaining time to maturity (years)	Yield on issue date	Listing	Rating
30 000 000	PLN	2015-12-11	2020-12-11	3.2	WIBOR3M + 0,75%	GPW	Aa3
500 000 000	PLN	2016-04-27	2021-04-28	3.6	WIBOR3M + 0,65%	GPW	Aa3
500 000 000	PLN	2016-06-17	2021-06-18	3.7	WIBOR3M + 0,59%	GPW	Aa3
500 000 000	EUR	2016-10-24	2022-06-24	4.7	0,178%	GPW, LuxSE	Aa3
25 000 000	EUR	2017-02-02	2024-02-02	6.3	0,820%	LuxSE	Aa3
500 000 000	EUR	2017-03-30	2023-01-24	5.3	0,630%	GPW, LuxSE	Aa3
500 000 000	PLN	2017-04-28	2022-05-18	4.6	WIBOR3M + 0,69%	GPW	Aa3
265 000 000	PLN	2017-06-22	2021-09-10	3.9	2,690%	GPW	Aa3
500 000 000	EUR	2017-09-27	2024-08-27	6.9	0,764%	GPW, LuxSE	Aa3

Covered Bonds Issuance PLN mn 2016-2017



Covered bonds issued by PKO BH are eligible for repo transactions by the ECB

PKO Bank Hipoteczny is a 100% subsidiary of PKO Bank Polski and specialises in housing loans denominated in PLN. The main objective of PKO Bank Hipoteczny is procuring long-term financing via issue of covered bonds.

After two years of operation, PKO Bank Hipoteczny holds the leading position with respect to the volume of issued covered bonds. The basis for the issue of covered bonds are exclusively housing loans in PLN which comply with conservative criteria for granting them.

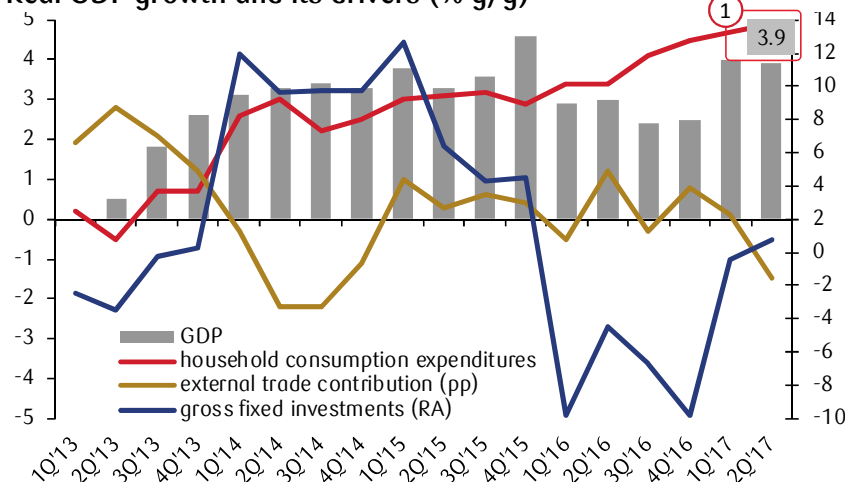
Macroeconomic trends

Economic recovery amid booming labour market

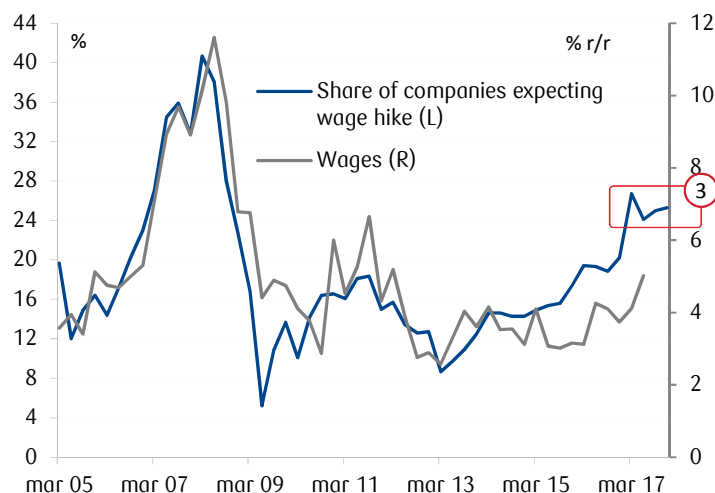


Bank Polski

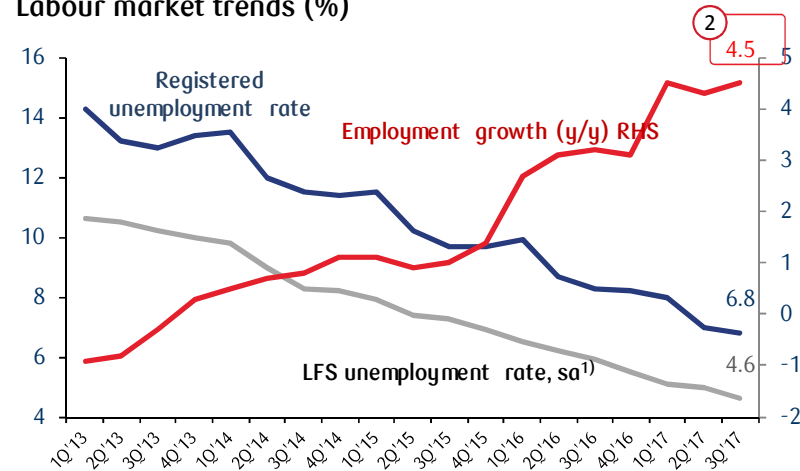
Real GDP growth and its drivers (% y/y)



Shortage of labour²⁾ vs wage growth rates (% y/y)



Labour market trends (%)



- 1 Monthly indicators point at further acceleration of GDP growth in 3q17 up to 4.6% yoy compared to 3.9% yoy in 2q17. Booming construction sector points at rebounding investment activity, which should become an important growth driver, backed by consistently strong private consumption.
- 2 The strong downward trend of unemployment holds despite rising supply constraints. High capacity utilization stimulates demand for employees.
- 3 Shortage of labor becomes an increasingly important development obstacle for business and pushes companies to raise wages. In result the upward trend of compensation is gathering strength and is expected to exceed 8% yoy in 2018.

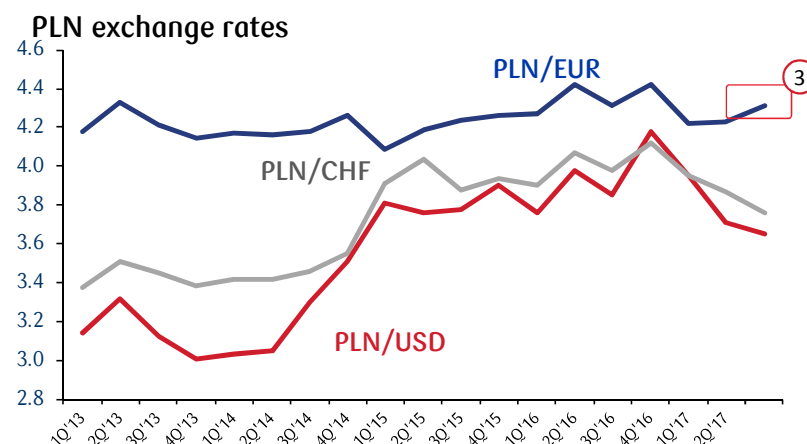
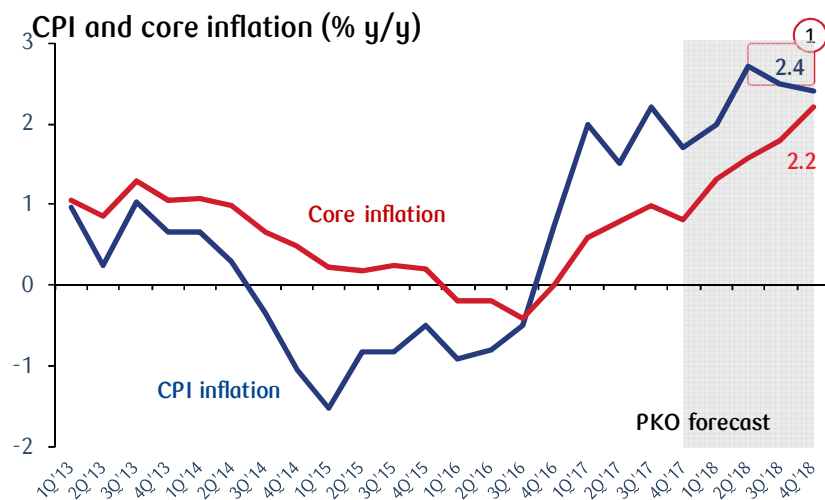
- (1) Percentage share of the number of unemployed population in the number of economically active population (i.e. employed and unemployed persons); consistent with EU methodology.
- (2) GUS business sentiment survey.

Macroeconomic trends

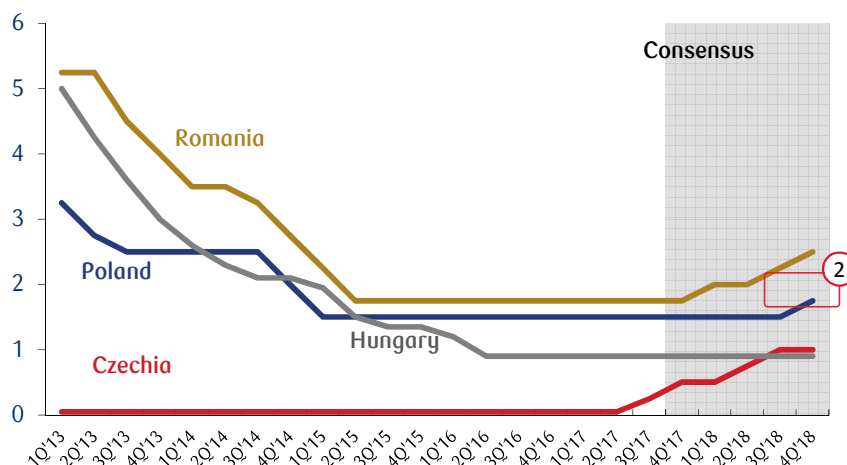
Inflationary pressures mounting gradually



Bank Polski



Central bank interest rates in the CE region (% eop)



- 1 Higher demand more often allows enterprises to pass rising costs on consumer prices. In 3q17 inflation was significantly influenced by external factors (food and energy prices). At the beginning of 2018 they might temporarily push inflation down below 2%. Starting from March 2018 the fundamental inflationary pressure should become more visible pushing core CPI above 1,5%, and the CPI inflation towards the NBP target.
- 2 Accelerating core inflation, higher than expected wage pressure, and concerns about impact of negative real interest rates on households' savings should incline the MPC to begin rate hikes. In our view first motions for a rate hike may be submitted already in the middle of the year, however the majority that would support them will be constituted only in late 2018. Thus, the NBP will join other central banks in the region (from Czechia and Romania) late next year when it comes to tightening monetary policy.
- 3 Strengthening expectations for QE tapering by the ECB resulted in significant EUR appreciation vs. other currencies. PLN remained relatively stable vs. EUR while it appreciated vs. USD and CHF.

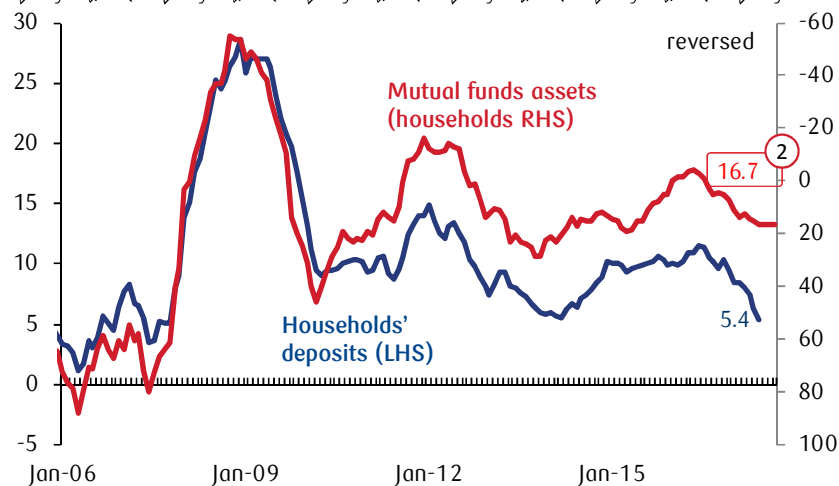
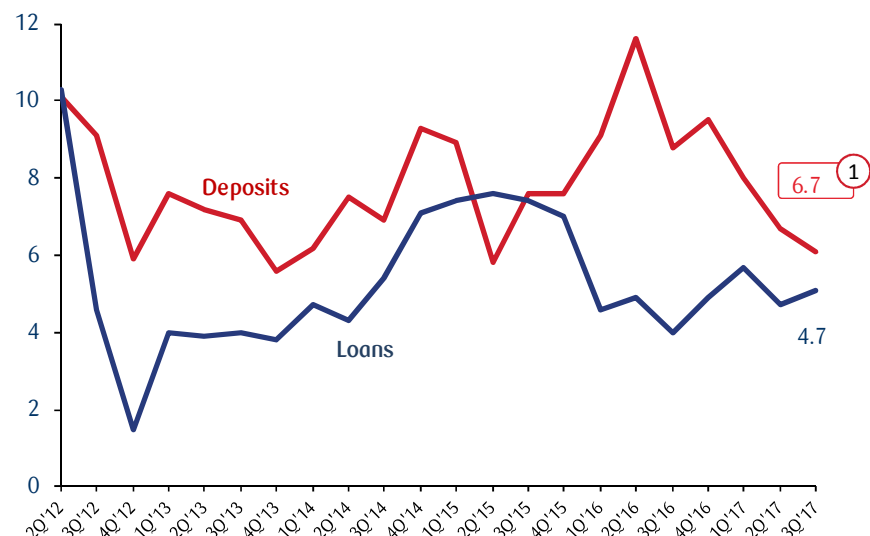
Banking sector and mutual funds

Impact of low interest rates and regulations

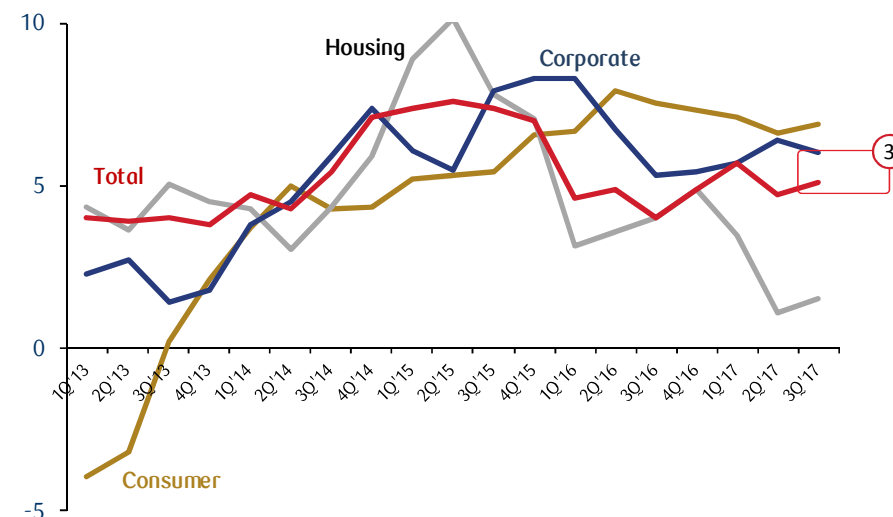


Bank Polski

Deposit and loan growth rates (% y/y)



Loan growth rates (% y/y)



- 1 Declining deposits growth rates reflect weaker money creation, negative real interest rates and outflow from deposits to alternative savings products. Total loans keep growing weaker than total deposits, which leads to further decline in loans-to-deposits ratio.
- 2 Households' deposits growth decelerated due to declining interest rates. Low interest rates confronted with favorable stock exchange sentiment (backed by improving financial condition of households) support high inflows to mutual funds.
- 3 Low interest rates and favorable financial standing of households support demand for consumer and mortgage loans. The corporate lending moderated in 3q17 but is expected to pick up again in line with rebounding investment activity.

Summary operational data



Bank Polski

PKO Bank Polski operating data (eop)	3Q16	4Q16	1Q17	2Q17	3Q17	Change	
						y/y	q/q
Current accounts ('000)	6 780	6 850	6 910	6 978	7 063	+4.2%	+1.2%
Banking cards ('000)	7 763	7 864	7 985	8 089	8 233	+6.1%	+1.8%
of which: credit cards	842	852	859	859	866	+2.8%	+0.7%
Branches:	1 256	1 238	1 230	1 221	1 208	-3.8%	-1.1%
- retail	1 216	1 198	1 190	1 180	1 167	-4.0%	-1.1%
- corporate	40	40	40	41	41	+2.5%	0.0%
Agencies	851	837	819	790	769	-9.6%	-2.7%
ATMs	3 178	3 206	3 196	3 213	3 208	+0.9%	-0.2%
Active mobile banking applications IKO ('000)	818	1 045	1 243	1 463	1 719	+110.1%	+17.5%

Consolidated income statement of the PKO BP Group



Bank Polski

Profit and loss account (PLN million)	9M 2016	9M 2017	Change y/y
Net interest income	5 734	6 357	+10.9%
Net fee and commission income	1 988	2 209	+11.1%
Other income	1 151	723	-37.2%
Dividend income	10	12	+20.0%
Net income from financial instruments designated at fair value	15	11	-26.7%
Gains less losses from investment securities	503	17	-96.6%
Net foreign exchange gains	351	324	-7.7%
Net other operating income and expense	272	359	+32.0%
Total income items	8 873	9 289	+4.7%
Net impairment allowance and write-offs	(1 201)	(1 172)	-2.4%
Administrative expenses	(4 134)	(4 310)	+4.3%
Tax on certain financial institutions	(595)	(698)	+17.3%
Share in net profit (losses) of associates and jointly controlled entities	25	20	-20.0%
Profit before income tax	2 968	3 129	+5.4%
Income tax expense	(687)	(841)	+22.4%
Net profit attributable to non-controlling shareholders	-	4	x
Net profit attributable to the parent company	2 281	2 284	+0.1%

Any differences in total balances, shares and growth rates result from rounding of balances to PLN million and percentage shares to one decimal place.

Consolidated income statement of the PKO BP Group - quarterly



Bank Polski

Profit and loss account (PLN million)	3Q16	4Q16	1Q17	2Q17	3Q17	3Q17/ 3Q16	3Q17/ 2Q17
Net interest income	1 972	2 021	2 046	2 114	2 197	+11.4%	+3.9%
Net fee and commission income	686	705	710	733	766	+11.7%	+4.5%
Other income	384	192	216	282	225	-41.4%	-20.2%
Dividend income	1	0	-	11	1	0.0%	-90.9%
Net income from financial instruments designated at fair value	30	(11)	19	(6)	(2)	x	-66.7%
Gains less losses from investment securities	27	3	5	(4)	16	-40.7%	x
Net foreign exchange gains	148	152	116	107	101	-31.8%	-5.6%
Net other operating income and expense	178	47	76	174	109	-38.8%	-37.4%
Total income items	3 042	2 918	2 972	3 129	3 188	+4.8%	+1.9%
Net impairment allowance and write-offs	(419)	(422)	(391)	(392)	(389)	-7.2%	-0.8%
Administrative expenses	(1 377)	(1 456)	(1 563)	(1 375)	(1 372)	-0.4%	-0.2%
Tax on certain financial institutions	(226)	(234)	(233)	(231)	(234)	+3.5%	+1.3%
Share in net profit (losses) of associates and jointly controlled entities	14	10	5	6	9	-35.7%	+50.0%
Profit before income tax	1 034	815	790	1 137	1 202	+16.2%	+5.7%
Income tax expense	(262)	(220)	(262)	(279)	(300)	+14.5%	+7.5%
Net profit attributable to non-controlling shareholders	3	2	3	1	-	x	x
Net profit attributable to the parent company	769	593	525	857	902	+17.3%	+5.3%

Any differences in total balances, shares and growth rates result from rounding of balances to PLN million and percentage shares to one decimal place.

Consolidated statement of financial position of the PKO BP Group



Bank Polski

Assets (PLN million)	30.09.16	31.12.16	31.03.17	30.06.17	30.09.17	Change y/y	Change q/q
Cash and balances with the Central Bank	14 346	13 325	14 087	13 637	16 880	+17.7%	+23.8%
Amounts due from other banks	3 723	5 345	5 659	3 339	3 651	-1.9%	+9.3%
Trading assets	1 635	326	1 381	1 499	1 838	+12.4%	+22.6%
Derivative financial instruments	2 639	2 901	2 748	2 138	2 572	-2.5%	+20.3%
Financial assets designated at fair value through P&L	15 163	13 937	11 775	9 045	6 395	-57.8%	-29.3%
Loans and advances to customers	193 174	200 606	200 579	204 620	205 809	+6.5%	+0.6%
Investment securities available for sale and securities held to maturity	34 353	37 142	40 258	40 290	41 274	+20.1%	+2.4%
Tangible fixed assets	2 888	3 086	3 027	3 004	2 975	+3.0%	-1.0%
Other assets	7 687	8 905	9 002	8 817	8 567	+11.4%	-2.8%
TOTAL ASSETS	275 608	285 573	288 516	286 389	289 961	+5.2%	+1.2%

Liabilities and equity (PLN million)	30.09.16	31.12.16	31.03.17	30.06.17	30.09.17	Change y/y	Change q/q
Amounts due to the central bank	4	4	4	4	5	+17.1%	+25.0%
Amounts due to banks	19 168	19 208	18 162	16 703	11 098	-42.1%	-33.6%
Derivative financial instruments	3 404	4 198	3 805	3 023	2 554	-25.0%	-15.5%
Amounts due to customers	201 181	205 066	207 116	207 248	209 683	+4.2%	+1.2%
Liabilities of insurance activities	2 568	2 944	3 005	3 031	3 064	+19.3%	+1.1%
Debt securities in issue	10 420	14 493	16 547	16 256	21 970	+110.8%	+35.2%
Subordinated liabilities	2 494	2 539	2 487	1 617	1 705	-31.6%	+5.4%
Other liabilities	4 051	4 552	4 054	4 167	4 542	+12.1%	+9.0%
Total equity	32 319	32 569	33 336	34 340	35 340	+9.3%	+2.9%
TOTAL EQUITY AND LIABILITIES	275 608	285 573	288 516	286 389	289 961	+5.2%	+1.2%

Any differences in total balances, shares and growth rates result from rounding of balances to PLN million and percentage shares to one decimal place.

Shares and rating

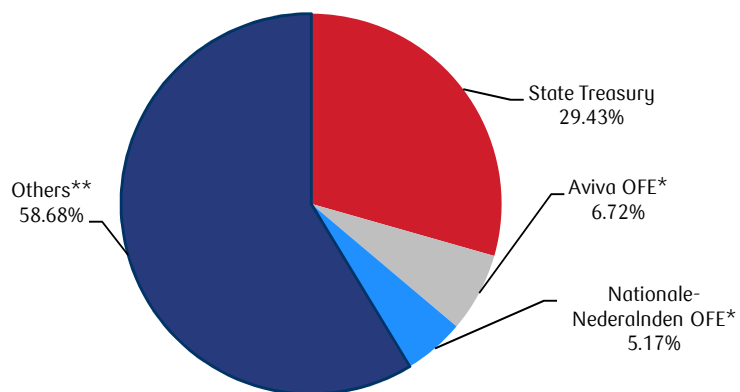


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Basic information on shares

- **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 stable outlook	A3 with stable outlook	P-1	(P)P-2

Principles of the dividend policy and dividend for 2016



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
2016	0.00	x	0.00%
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 2016

On 13 April 2017 the Management Board adopted a resolution and decided to submit a recommendation to the Annual General Meeting of the Bank on distribution of the profit earned by the Bank in the period from 1 January 2016 till 31 December 2016 in the amount of PLN 2,888,300 k pointing its appropriation for: supplementary capital in an amount of PLN 2,850,000 k; reserve capital in an amount of PLN 38,300 k. The recommendation has obtained a positive opinion from the Bank's Supervisory Board.

The decision on the recommended distribution of the profit for 2016 is also comprehensive with the Bank's Management Board and Supervisory Board decision on going by the individual recommendation of the Polish Financial Supervision Authority to retain the whole net profit earned by the Bank in the year 2016.

On 22 June 2017, the Bank's Annual General Meeting decided to appropriate the Bank's profit for financial year 2016, allocating it, in line with Bank's Management Board recommendation, for the supplementary capital and reserve capital, without any amount for the dividend payment.

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Bank Polski

Contact:

PKO Bank Polski SA Investor Relations Office
Marcin Jabłczyński- Director
Pulawska 15
02-515 Warsaw
Poland

Tel: +48 22 521 91 82

Fax: +48 22 521 91 83

E-mail: marcin.jablczynski@pkobp.pl

E-mail: ir@pkobp.pl

PKO Bank Polski IR website: www.pkobp.pl/investors

Investor's calendar:

12 March 2018	Publication of the 2017 Annual Report
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