Bank Polski

Financial Results of PKO Bank Polski SA Group for 1H 2013

„PKO Bank Polski. The Best Every Day"

Warsaw, 29th August 2013

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Executive summary

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- **Acceleration of growth by acquisition of Nordea assets in Poland**
  - ⇨ Banking business acquisition - 99.21% of Nordea Bank Polska, a Polish blue-chip corporate loans portfolio held by Nordea Bank AB and 100% of Nordea Finance Polska
  - ⇨ Acquisition of 100% of Nordea Polska TuNZ as the platform for development in bancassurance business
  - ⇨ Planned closing term - end of 2013, beginning of 2014
- **Cost discipline and improved cost of risk**
  - ⇨ Administrative expenses down by 1.2% q/q (-0.9 y/y)
  - ⇨ Cost of risk improved by 5 bp. q/q on net impairment allowances (down by 6.5% q/q, 21.3% y/y) and NPLs (down by 0.1 pp. q/q)
- **Net interest income down on lower interest rates, coupled with largest retail and term deposit base on the Polish market**
  - ⇨ Net interest income down by 7.2% q/q mainly on lower market interest rates (average 3M WIBOR down by 80 bp. q/q)
  - ⇨ Net interest margin down by 0.3 pp q/q, but still above 4%
- **High operating efficiency maintained**
  - ⇨ Cost to income ratio (C/I) at 42.7%
  - ⇨ ROE at 13.8%
  - ⇨ ROA at 1.7%
- **Strong liquidity and capital position**
  - ⇨ Stable development of balance sheet total on the back of growth in net loans (+5.5% y/y) financed by growing customer deposits and securities issues
  - ⇨ Loans to stable sources of funding ratio at 91%
  - ⇨ CAR at 13.5% (Core Tier 1: 12.5%)
- **AGM's decision to pay PLN 2,250 mn (PLN 1.80 per share) in dividend for 2012 (payout ratio of 61.12%, dividend yield of 5.1%, based on the share price as at 30 June 2013)**

Acquisition of Nordea Bank Polska, Nordea Finance Polska and Nordea Polska TUnZ

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- PKO will acquire Nordea's Banking, Leasing and Life Insurance operations in Poland ("Nordea Poland") for a total consideration of PLN 2 830 m after receiving proper KNF and antitrust approvals
- The acquisition of Nordea's banking operations in Poland represents an attractive opportunity for PKO to expand its leadership position in retail, grow its distribution network in large Polish cities, increase its affluent client base and significantly strengthen its corporate franchise
- The transaction perimeter includes a life insurance company that will serve as the platform for PKO's bancassurance strategy, taking advantage of PKO's large domestic distribution network and demonstrated cross sell experience
- The transaction is also consistent with PKO's strategy for 2013-2015 to deploy its surplus capital and strengthen its position in the Polish market through selected acquisitions, in addition it allows PKO to maintain high growth rates in a period of general economic slowdown and a low interest rate environment
- PKO remains committed to maintaining a strong capital and liquidity position and an attractive dividend policy for shareholders post transaction
- The transaction is beneficial for all stakeholders:
  - Shareholders: as it generates attractive return on investment (ROI), EPS accretion and synergies
  - Employees and clients of the enlarged organisation: by providing higher development opportunities and improved service levels in a stronger and more effective enlarged group
  - Additionally, the transaction brings together two leading European financial institutions and opens up further avenues for continued cooperation
  - The Polish banking sector as it strengthens Nordea Bank Polska's capital base and decreases its reliance on foreign capital

Key Business Initiatives Q2 2013

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Innovation and a joint local mobile payment standard

With the new uniform standard, over 12m bank customers will soon be able to make payments 'on the go' using their mobile phones. Alior Bank, Bank Millennium, Bank Zachodni WBK, BRE Bank, ING Bank Śląski and PKO Bank Polski have reached an agreement on strategic cooperation for the joint development of a uniform mobile payment standard. The project is a unique effort due to its scale, a result of the aggregate market share of the institutions involved, and also because of the sheer variety of possibilities it will offer to end users. The new mobile payment standard will be based on IKO platform, which PKO Bank Polski rolled out in March 2013

PKO Junior – Banking for children under 13 years of age

The Bank now offers one of the world's first Internet banking services for children, launched alongside a comprehensive financial education programme. The new service is a personal Internet account for children under 13, through which they can receive pocket money, make transfers, top-up their mobile phones, save for specific purposes or meet financial targets set by their parents. Within a month of the launch, PKO Bank Polski opened over 16,000 Junior accounts.

New Personal Banking Model

As part of the retail banking development strategy, PKO Bank Polski has begun roll out of the New Personal Banking Model. The aim is to create the best model of services for high-net-worth individuals, to be consistently placed first in satisfaction surveys and become the bank of first choice for this customer group, thus increasing the overall profitability of the segment. The New Personal Banking Model is planned to be fully in place from the beginning of 2014.

Account packages for SMEs and housing market

The Bank's new products include the *Biznes Debiut 18*, *Biznes Rozwój*, *Biznes Komfort Plus* and *Biznes Sukces Plus* packages, designed to meet the needs of the customers at each stage of their business development. Bank has also launched customised, trade-specific packages for SMEs, a novelty on the Polish market. For housing market customers we have been introduced new accounts tailored to the requirements of Residents' Associations.

PKO Bank Polski in the top three of 'Quality Bank 2013' poll

PKO Bank Polski ranked third in a poll run by TNS Polska and the *Puls Biznesu* daily. Bank's customer service quality standards were highly praised, with the score of 71.4 per cent taking us up four places on last year's result in the poll. Customer satisfaction and service quality improvement are among the key priorities of the Bank's strategy.

Basic financial data

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		1H'13	1H'12	Change y/y	Q2'13	Q1'13	Change q/q
Financial result (PLN mn)	Net interest income	3 266	4 042	-19.2%	1 572	1 694	-7.2%
	Net F&C income	1 543	1 503	+2.7%	772	770	+0.3%
	Result on business activity	5 000	5 791	-13.7%	2 478	2 522	-1.7%
	Administrative expenses	-2 225	-2 246	-0.9%	-1 106	-1 120	-1.2%
	Net impairment allowance	-867	-1 101	-21.3%	-419	-448	-6.5%
	Net profit	1 534	1 953	-21.5%	753	781	-3.7%
Balance sheet (PLN bn)	Assets	198.2	190.4	+4.1%	198.2	197.1	+0.6%
	Net loans	149.1	141.3	+5.5%	149.1	147.5	+1.1%
	Deposits	149.2	147.0	+1.5%	149.2	148.4	+0.5%
	Stable financial resources	164.1	160.2	+2.4%	164.1	163.5	+0.4%
	Total equity	23.7	23.0	+2.9%	23.7	25.4	-6.9%
Quality of loan pottfolio	NPL ratio[1] (%)	9.1	8.7	+0.4 pp.	9.1	9.2	-0.1 pp.
	Coverage ratio[2] (%)	51.1	47.0	+4.1 pp.	51.1	50.5	+0.6 pp.
	Cost of risk (bp)	135	139	-4	135	140	-5
Capital position	CAR (%)	13.5	13.0	+0.5 pp.	13.5	13.7	-0.2 pp.
	Core Tier 1 (%)	12.5	12.0	+0.5 pp.	12.5	12.8	-0.2 pp.

(1) Share of loans with recognized impairment in total gross loans
(2) Coverage of loans with recognized impairment by impairment allowances

Financial ratios

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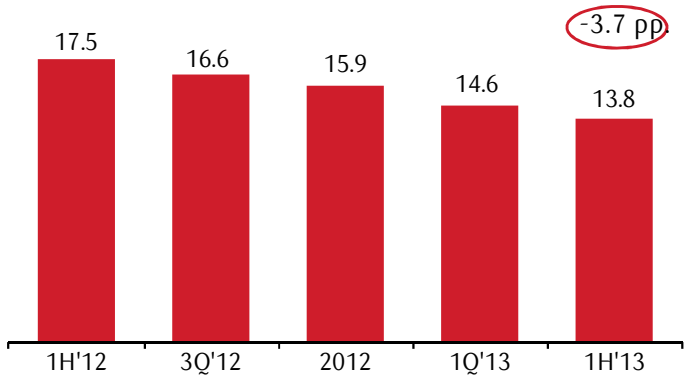
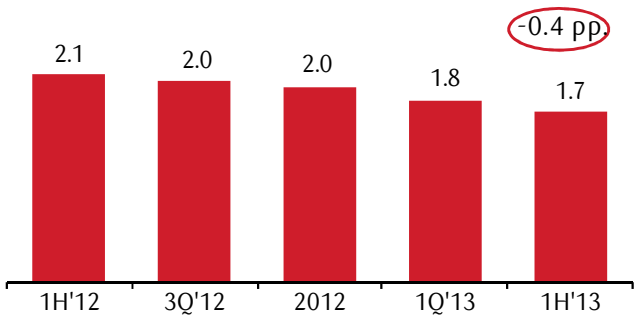
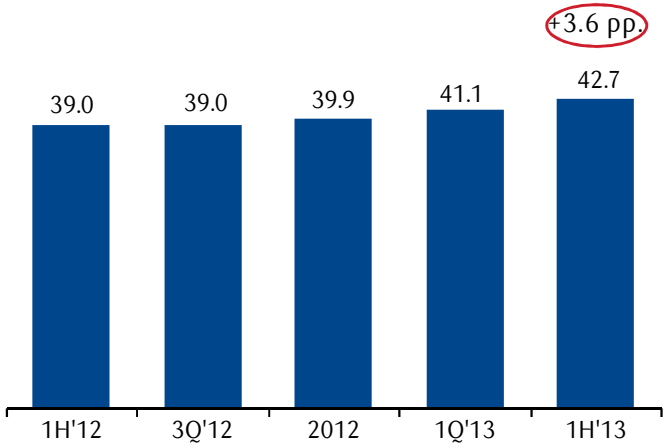
ROE net



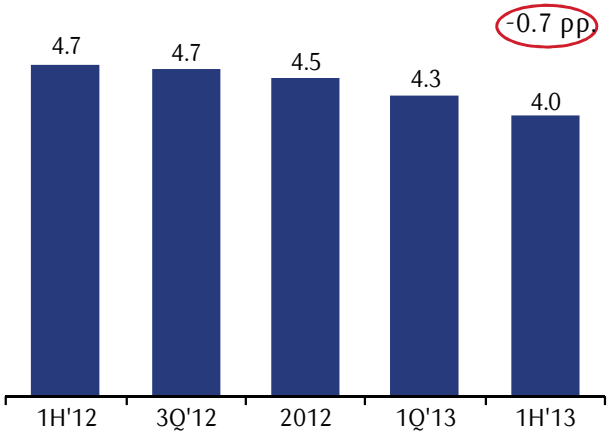
ROA net



C/I[1)]



Net Interest Margin[2)]



% Change y/y

(1) Administrative expenses for last 4 quarters / result on business activity for last 4 quarters
(2) Net interest margin = 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)

Macroeconomic environment

The economy reached a cyclical trough in the first half od 2013

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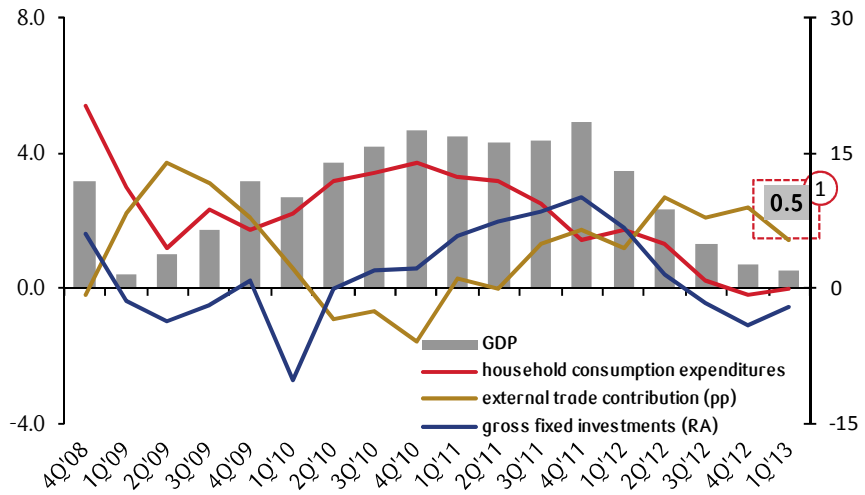
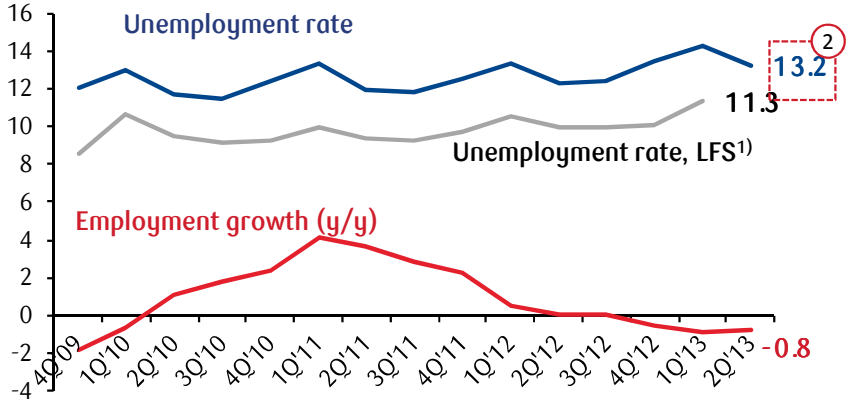
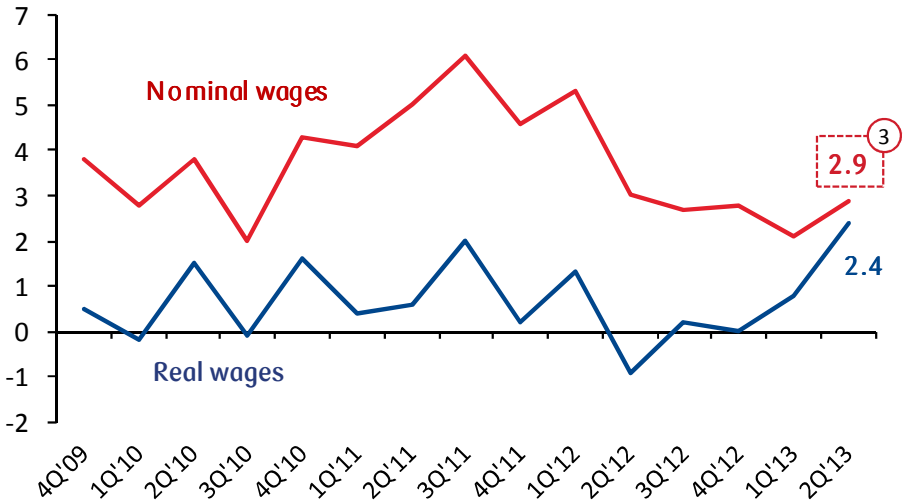
GDP and decomposition of growth rate (% y/y)



Labour market (%)



Wages growth in enterprises (% y/y)



1. Having slowed to 0.5% y/y in 1q 2013, GDP growth picked up to 0,8%yoy in 2q 2013 („flash" GDP estimate) – likely driven by the still strong net exports and weak – but slowly picking up - domestic demand dynamics (both consumption and investments). Momentum and high-frequency indicators suggests a pick-up in GDP growth to ~1.5% in 3q

2. Seasonal decline in the unemployment in 2q, with continued uptrend in the unemployment rate at a pace of +1,0pp y/y – a result of the below-potential GDP growth (2.5-3%)

3. Relatively stable nominal wage growth, combined with a sharp decline in CPI inflation resulted in a rise in real disposable income. Until now, this has boosted households' savings, but it creates conditions for a consumption rebound in the coming quarters

(1) Percentage share of the number of unemployed population in the number of economically active population (i.e. employed and unemployed persons) – according to EU methodology.

Macroeconomic environment

Final stages of disinflation, trend reversal in the bond market and ending the monetary easing cycle

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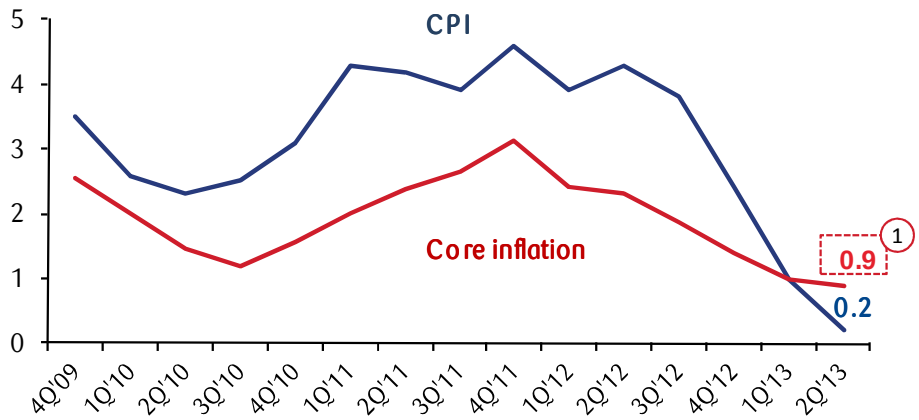
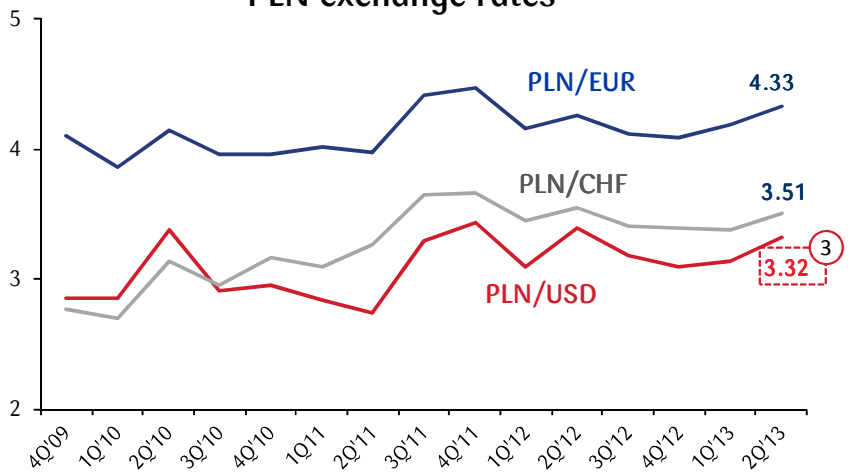
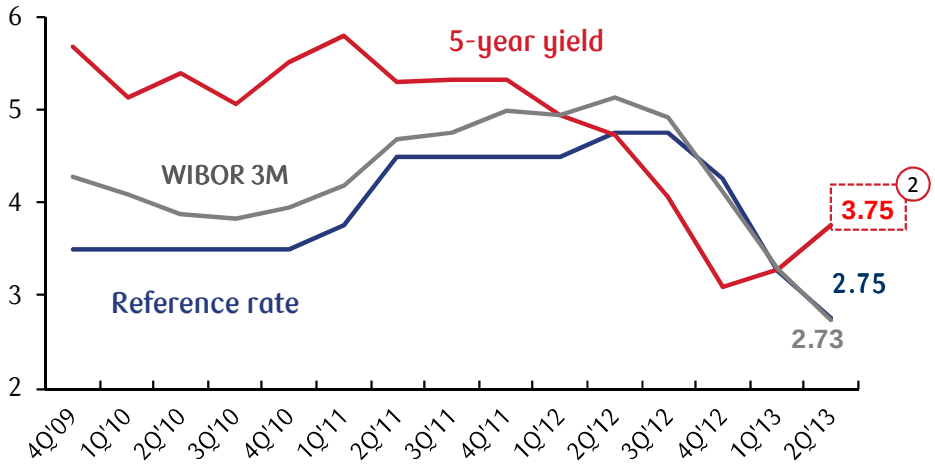
Inflation rate (% y/y)



PLN exchange rates



Interest rates (% eop)



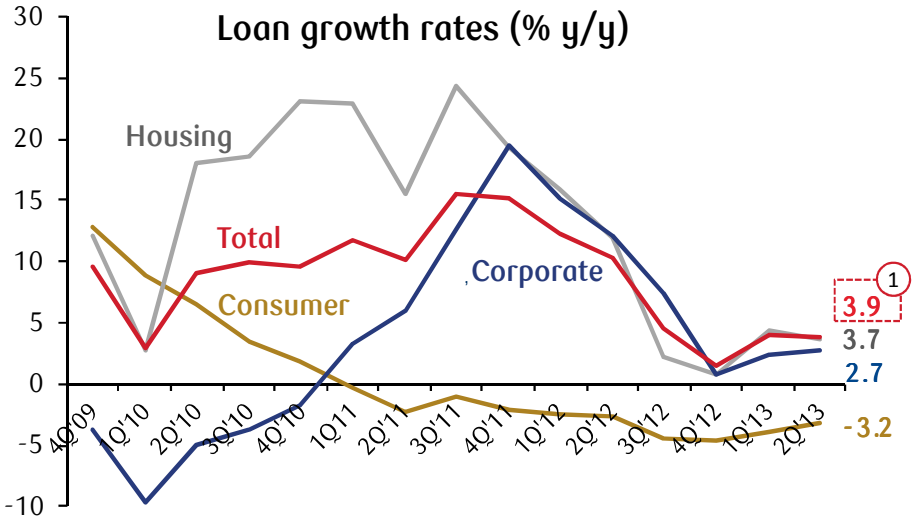
1 Sharp decline in CPI inflation to 0.2% y/y in 2q 2013 was driven by a cumulation of several disinflationary factors, eg, the 10% decline in communication prices, disinflation in food and fuels as well as energy and gas price cuts. Core inflation remained fairly stable (0.9% y/y in June vs 1.0% y/y in March). The disinflation arguably ended in July as the CPI and core inflation rose sharply to 1,1% and 1.4% y/y, respectively (on the spike in refuse collection costs)

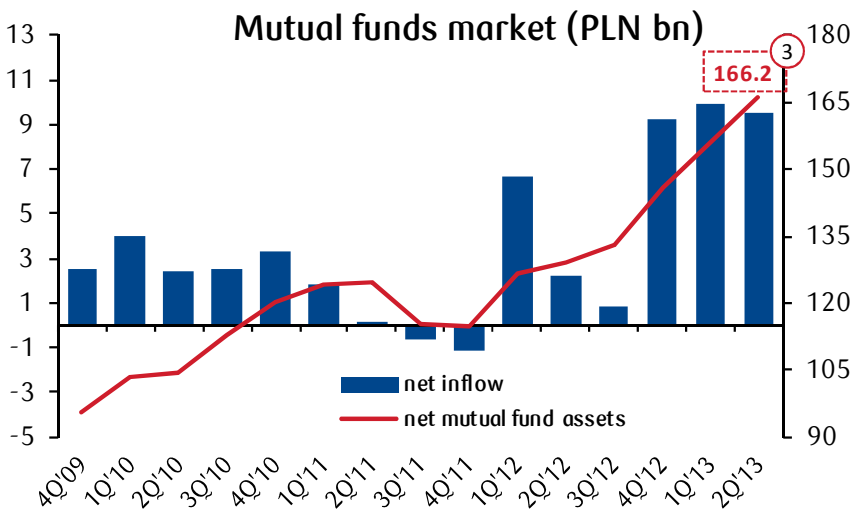
2 The MPC cut interest rates by 50bps in 2q 2013 (to 2.75%), and by a further 25bp in July, ending the monetary easing cycle with the reference rate at 2.50%. Gradual GDP recovery, CPI inflation trend reversal and the start of policy normalization in the US (putting an upward pressure on EM yields and downward pressure on EM FX) suggest the probability of a further policy easing is very small

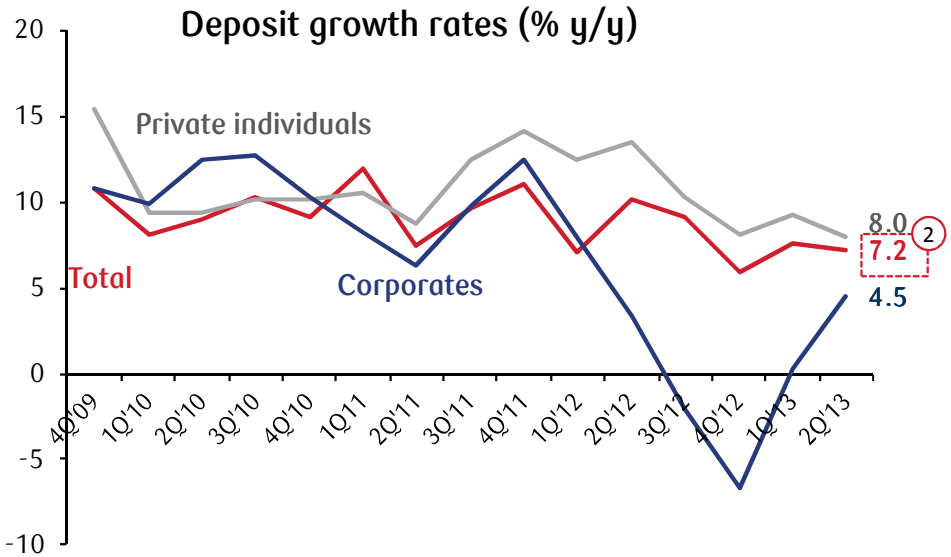
3 Global fund flows reversal (outflow from emerging markets) put a downward pressure on the PLN, resulting in breaking out of more than a year-long consolidation channel. EUR/PLN ended the quarter at 4.33, USD/PLN at 3.32 and CHF/PLN at 3.51

Deposits/credit and financial market

Solid deposits growth, moderate (but accelerating in 3q) loans dynamics







1 Stabilization in loans growth (3.9% y/y), with slower mortgage loans dynamics and faster corporate loans dynamics, accompanied by a slower pace of decline in consumer credit. Signs of acceleration in consumer loans dynamics in early 3q.

2 Slight decline in total deposits growth (7.2% y/y) due to slower household deposits growth, with faster corporate deposits growth. As a result of faster deposits growth and slower credit dynamics, Loan-to-Deposit (LTD) ratio stabilized at low level of 107.9%.

3 Another quarter of inflows [1] to mutual funds in 2q2013 driven by a rise in real disposable income and low deposits inrerest rate, amid relatively stable equity market sentiment (q/q).

[1] PLN 5,6 bn in 4q 2012 and PLN 4,5 bn in 1q 2013 due to intra-PZU transfers.

2013 macroeconomic and banking sector outlook

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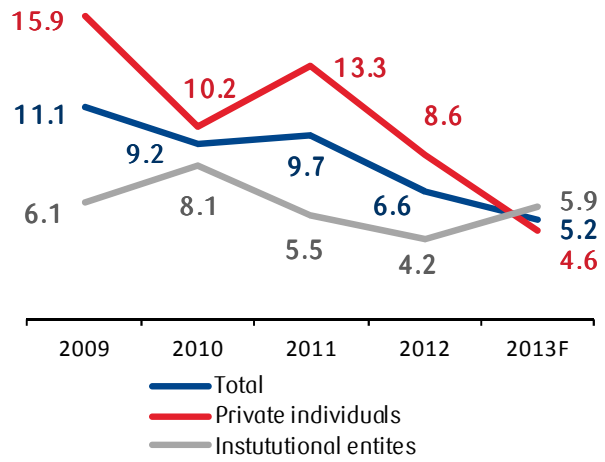
		2011	2012	2013F
GDP	% y/y	4.5	1.9	1.2
Consumption	% y/y	2.6	0.8	0.6
Investments	% y/y	8.5	-0.8	-2.4
Public sector deficit[1)]	% GDP	-5.0	-3.9	-5.0
Public debt[2)]	% GDP	53.4	52.7	53.8
CPI	%	4.3	3.7	1.1
Unemployment rate	% eop	12.5	13.4	14.2
WIBOR 3M	% eop	4.99	4.11	2.60
Reference rate	% eop	4.50	4.25	2.50
PLN/EUR exchange rate	PLN eop	4.42	4.09	4.15
PLN/USD exchange rate	PLN eop	3.42	3.10	3.07

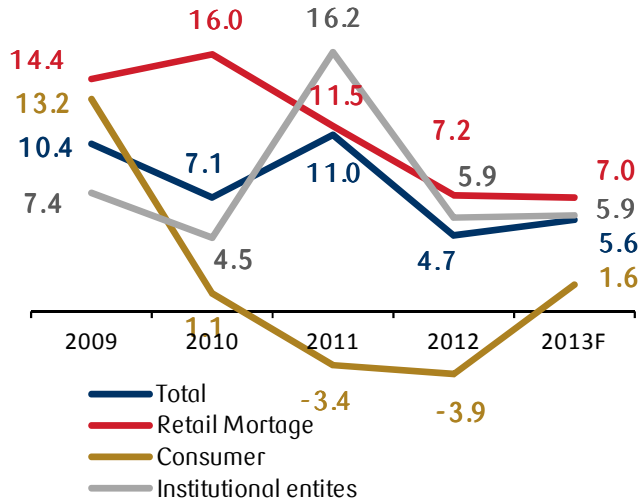
1) According to methodology ESA95
2) According to domestic methodology.

Source: Bank's forecasts

Deposits - FX adjusted growth rate (%)



Loans- FX adjusted growth rate (%)



Market share

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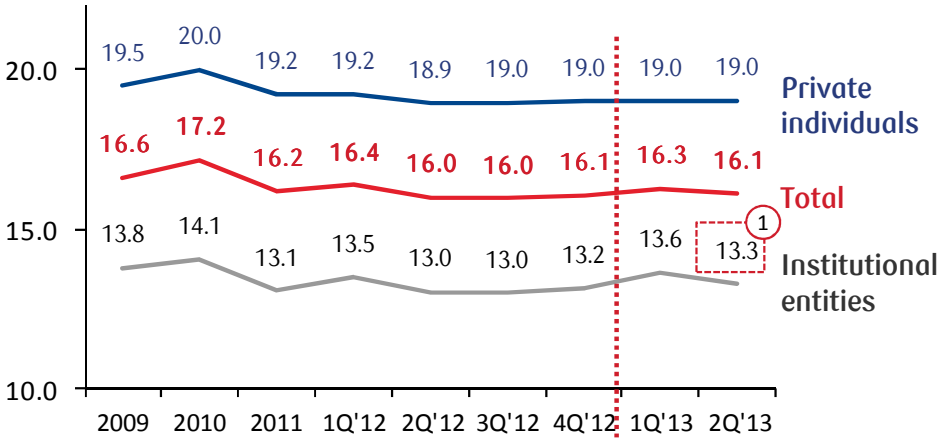
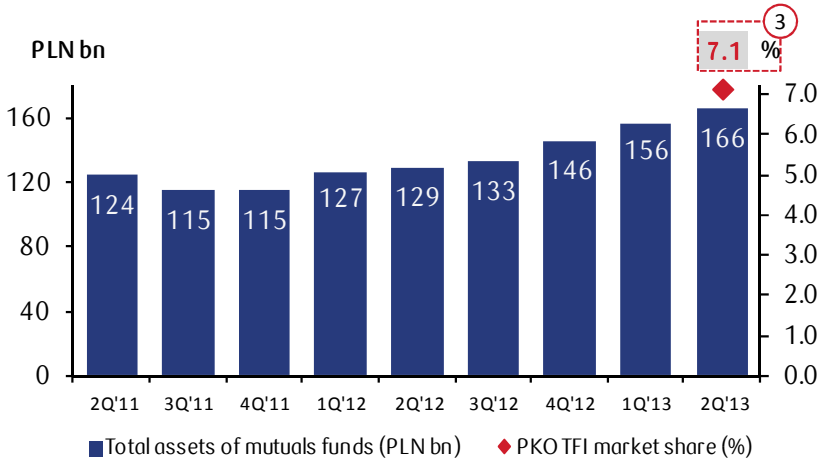
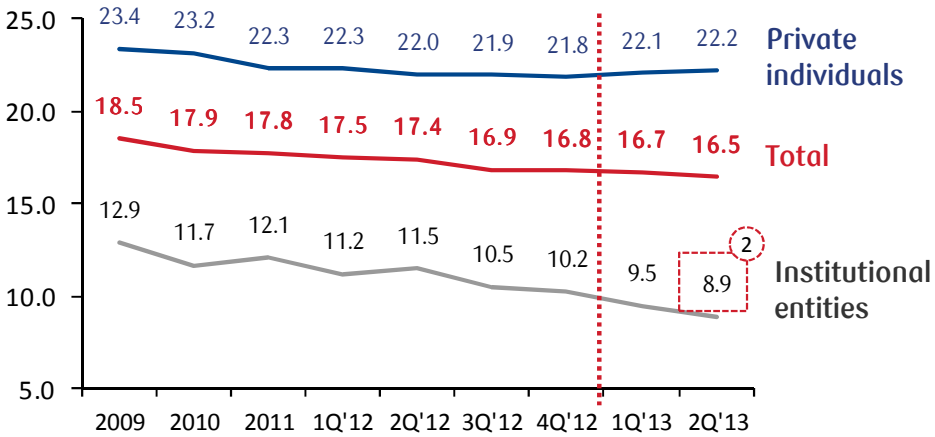
Loans market share (%)



Mutual funds market share



Deposits market share (%)



1. Growth of market share by 0.3 pp y/y mainly as an effect of increased market share in loans to local government bodies
2. Market share decrease due to optimisation of interest expenses
3. Growth of PKO TFI market share in total assets of mutual funds by 0.7 pp. y/y and climbed to the 3rd market position

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Profit and loss account

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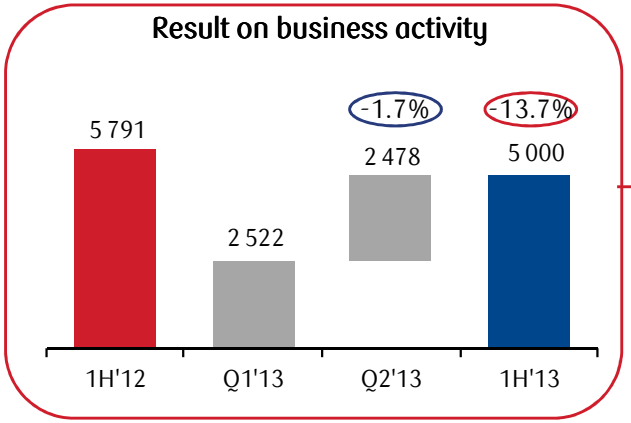

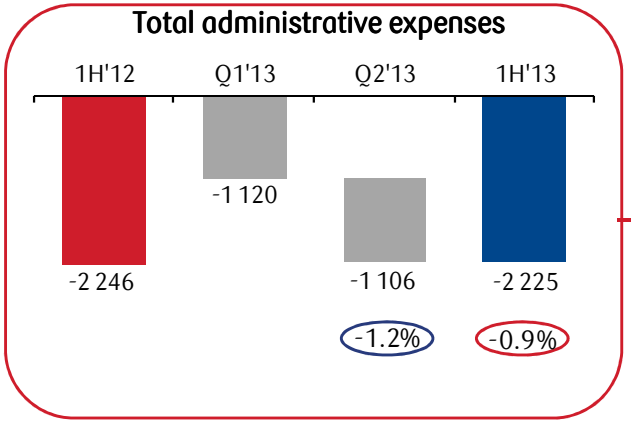

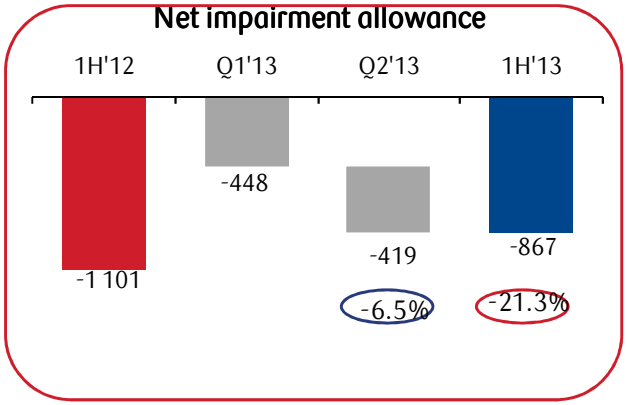

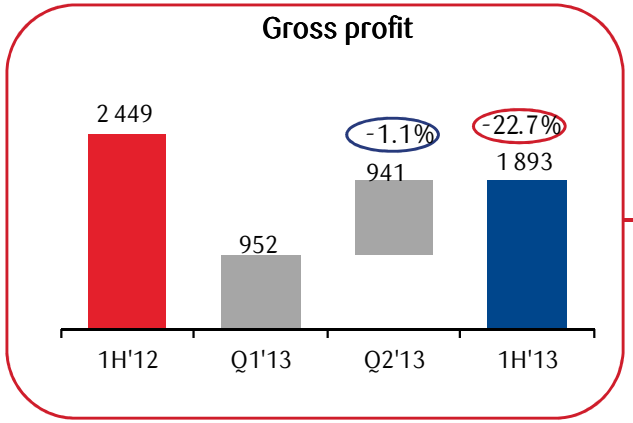

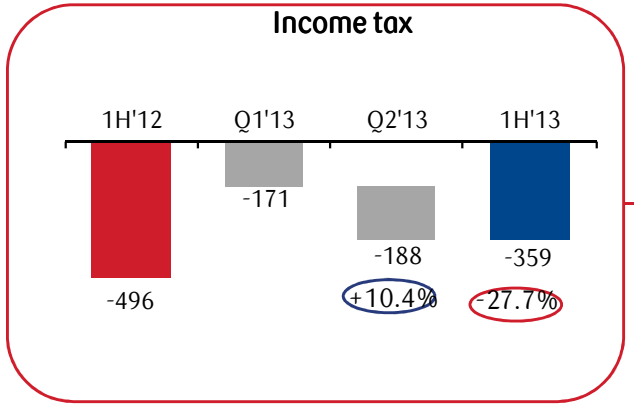

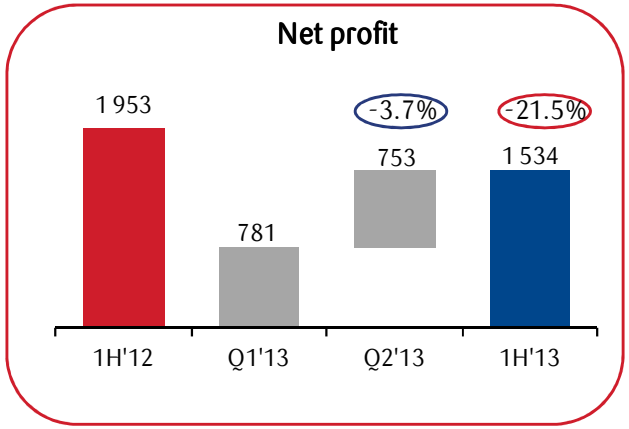

% Change y/y

% Change q/q

High quality of result on business activity as compared to competitors

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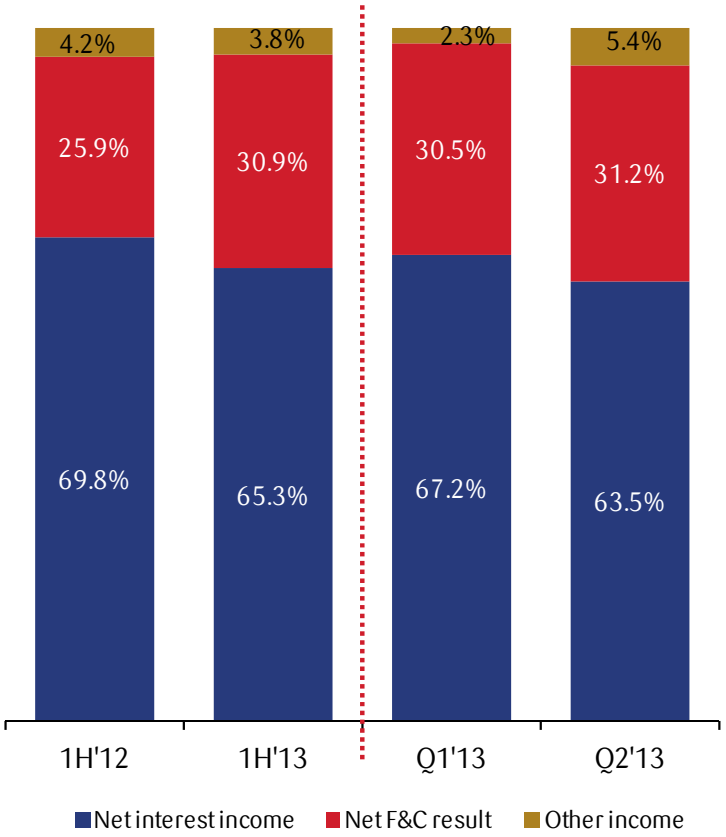
Split of result on business activity



PLN mn	1H'12	1H'13	Change y/y	Q1'13	Q2'13	Change q/q
Net interest income	4 042	3 266	-19.2%	1 694	1 572	-7.2%
Net F&C result	1 503	1 543	+2.7%	770	772	+0.3%
Other income	246	191	-22.3%	58	133	+130.5%
Result on financial operations and didvidens	26	70	+168.0%	28	42	+48.3%
Net FX result	145	75	-48.2%	-12	87	x
Net other income	75	46	-38.6%	42	4	-89.8%
Result on business activity	**5 791**	**5 000**	**-13.7%**	**2 522**	**2 478**	**-1.7%**

Net interest income (1)

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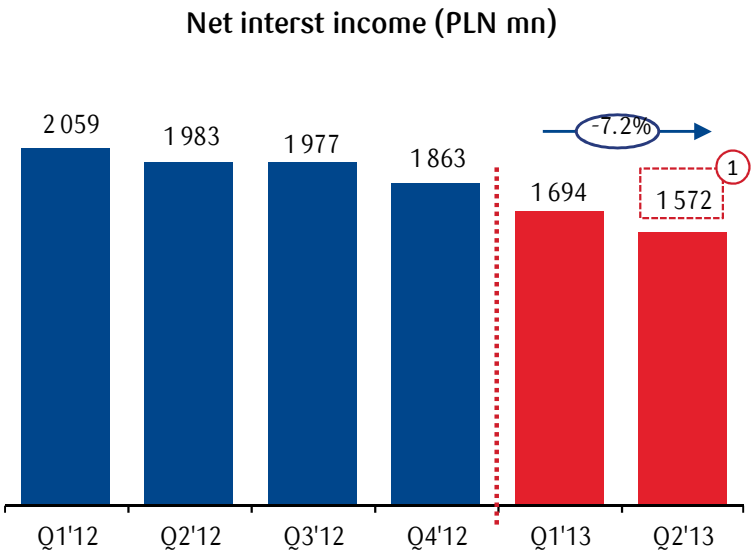

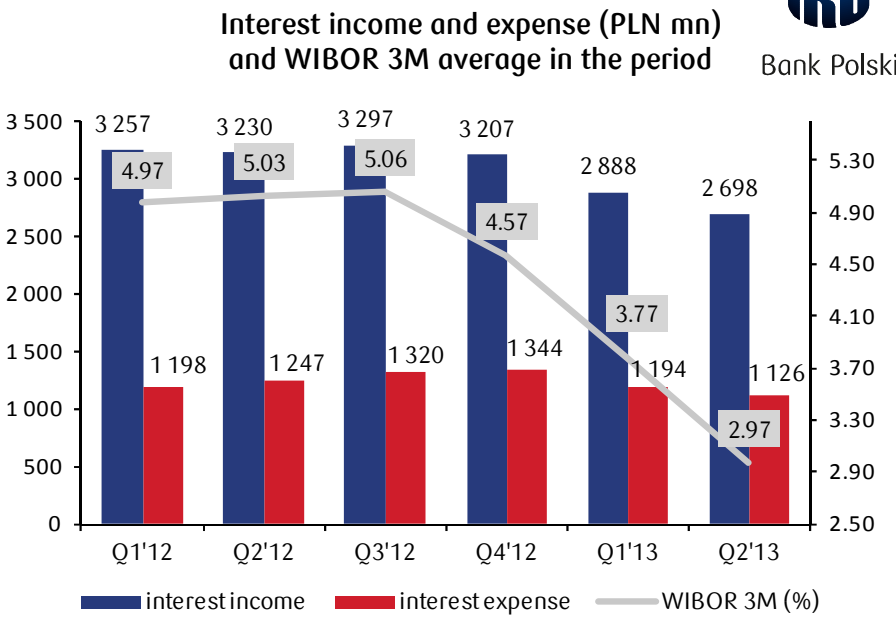

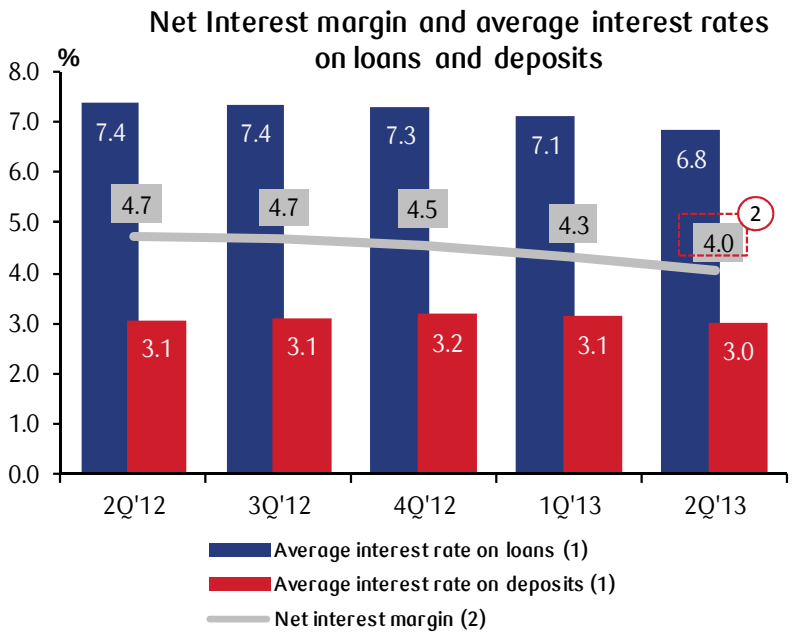

1 Decrease in Q2'13 result mainly due to reduction of market interest rates (average WIBOR 3M lower by 80 bp. q/q)

2 Drop of net interest margin by 0.7 p.p. y/y to 4.0% as a result of a decrease in annualized net interest income of 12.0% y/y (mainly due to a drop in market interest rates), accompanied by an increase in average interest-bearing assets of 3.6% y/y (mainly the portfolio of loans and advances to customers)

(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)

% Change y/y % Change q/q

Net interest income (2)

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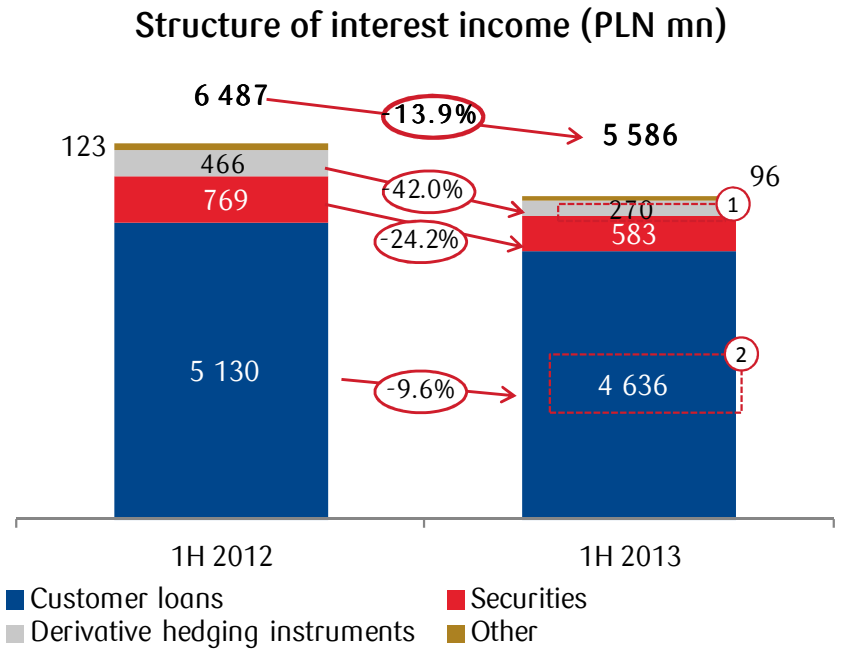
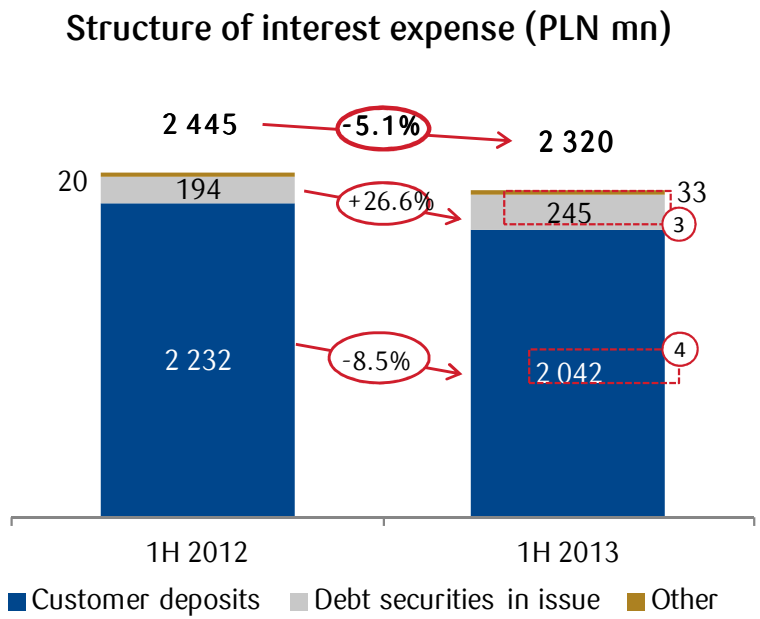




1 A decrease in income from derivative hedging instruments, resulting from narrowing the spread between the PLN and foreign currency rates as a result of the drop in the WIBOR market rates and the drop in the average volume of CIRS transactions covered by hedge accounting

2 A decrease in income in respect of loans and advances to customers - as a result of a drop in market interest rates, accompanied by an increase in loans of PLN 7.8 bn y/y

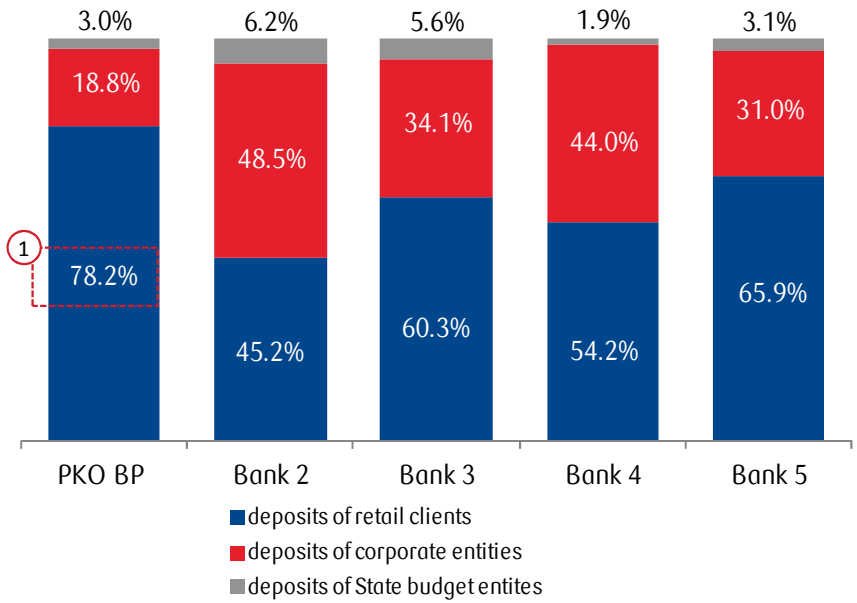
3 An increase in costs of debt securities in issue, which was related to an increase in liabilities in respect of bond issue on foreign financial markets, partly offset by a decrease in costs of servicing debt on the Polish markets as a result of a drop in market interest rates

4 A decrease in the costs of amounts due to customers, resulting from lower average interest rates on deposits due to a drop in market interest rates, accompanied by an increase in amounts due to customers PLN 2.3 bn

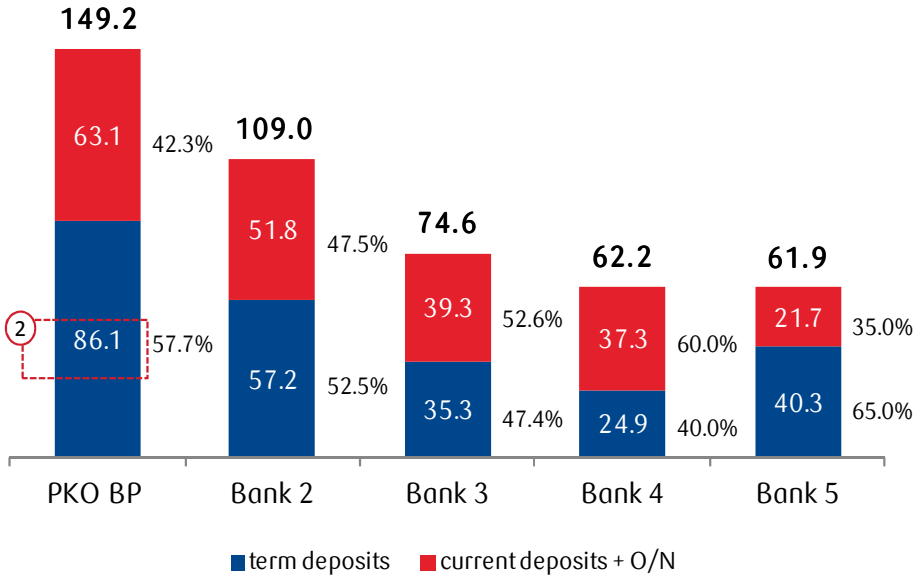
The safest structure of deposit base as compared to competitors, at the expense of higher sensitivity on interest rates changes in a short term

Bank Polski

Subject structure of total deposits[1)]
(as at 30.06.2013)



Deposits structure in Polish banks
(as at 30.06.3013 in PLN bn)



1 PKO Bank Polski has the highest share of retail deposits as compared to competitors, resulting in lower flexibility of changing financial conditons in a short time

2 PKO Bank Polski has the largest volume of term deposits comparing to competitive banks, of which significant volume of deposits with maturity up to 12M, which in a short time affect growth of interest expense in conditions of interest rates decline

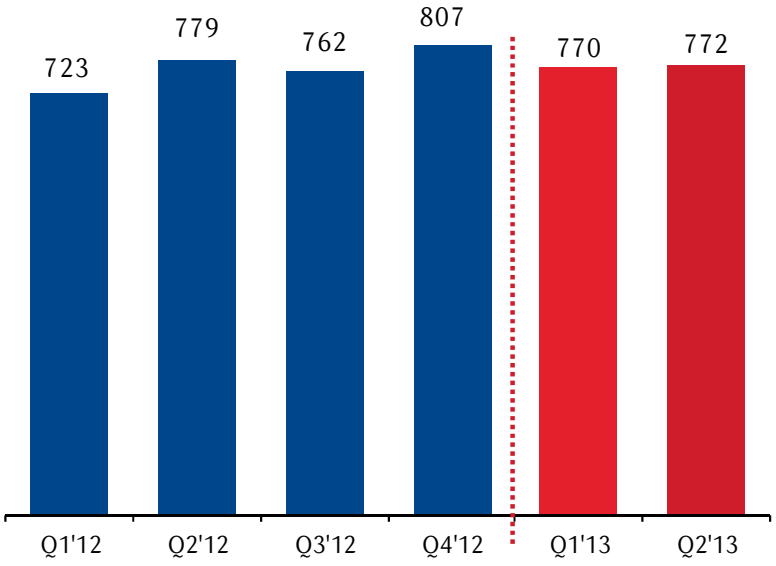
Source: banks' consolidated financial statements

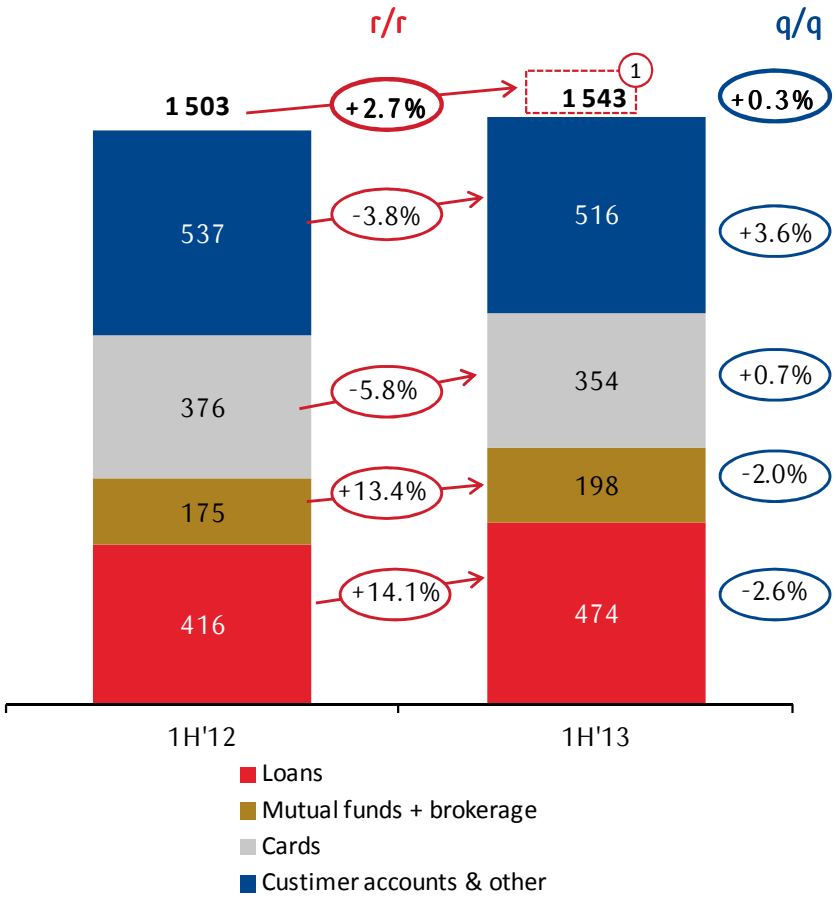
(1) Amounts due to customers

Stable growth of F&C income despite of interchange fee drop and lower market growth

Bank Polski

Net fee and commission income (PLN mn)



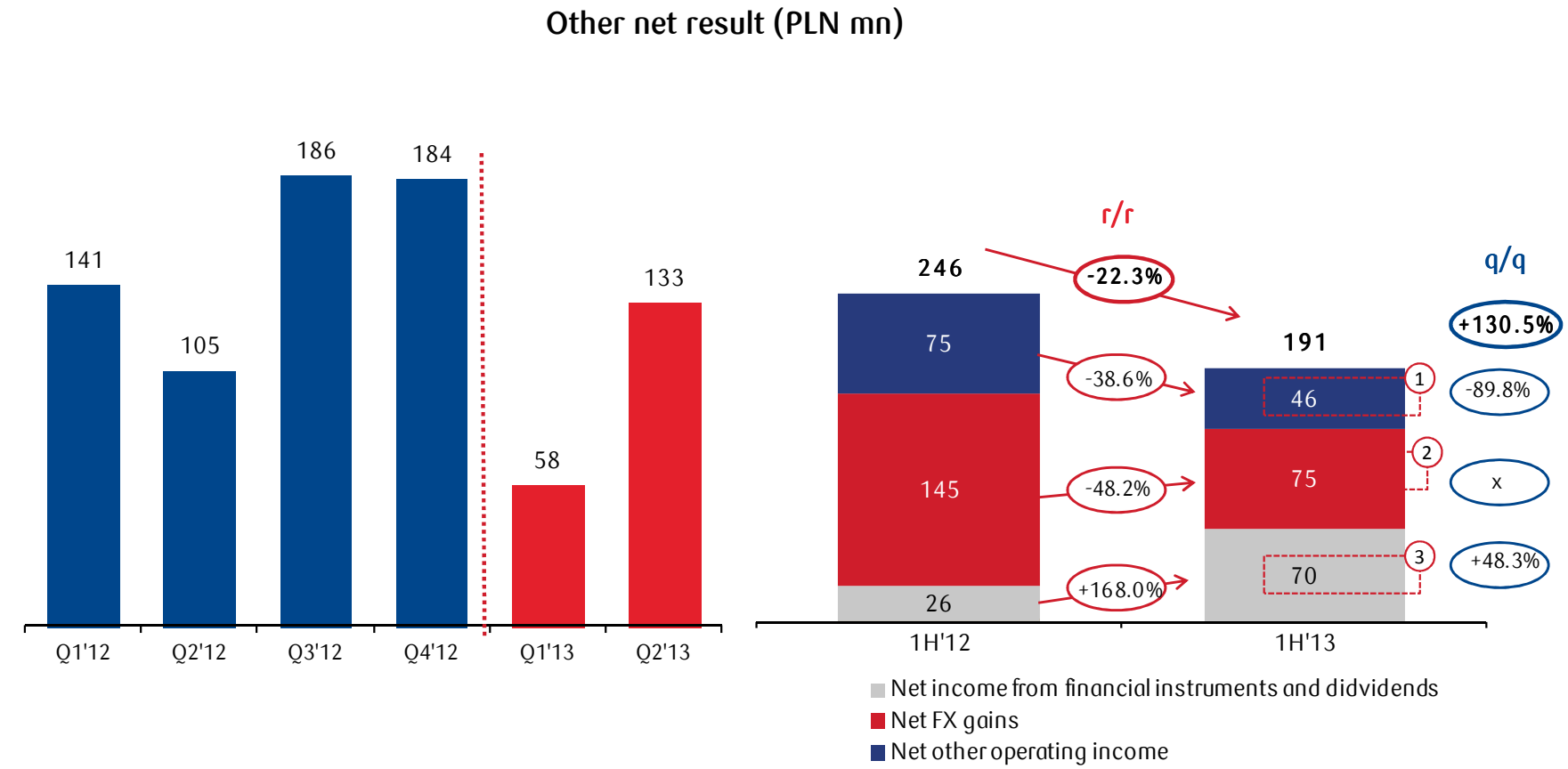


1

The level of net fee and commission income was largely determined by:

- an increase in net commission income in respect of loan insurance (+31.5% y/y), due to the increase in sales of loans, mainly housing loans and insurance saturation, supported by promotional campaigns, mainly covering consumer loans
- an increase in commission income in respect of maintenance of investment funds and OPF, due to an increase in management fees and an increase in handling fees related to sale and repurchase, accompanied by over 40% y/y increase in the value of assets of investment fund management companies;
- a decrease in the result on payment cards, mainly due to a decrease in the interchange fee (IF), in connection with a reduction of IF rates by Visa and Mastercard from the start of the year. Lower commission related to IF was accompanied by both the value and volume increase in card transactions.

Other net result

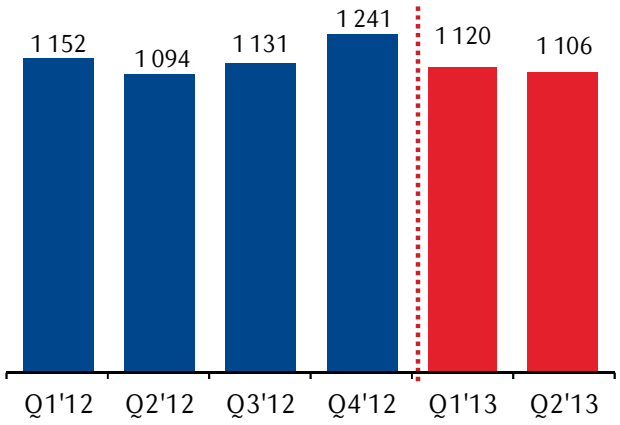


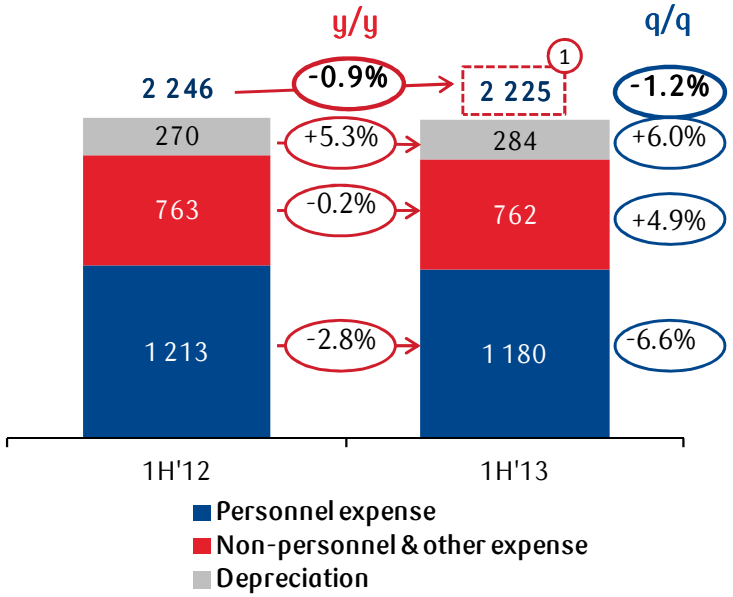
1. Decrese y/y of the net other operating result mainly due to lower result on sale of products and services in subsidiaries, of which from developer's activity
2. Lower FX result y/y mainly due to decrease in reult on FX differences firs of all in connection with drop of FX rates in H1'12 and their increase in 1H'13
3. Growth of net income on financial operations thanks to inrease in net income on investment securities by PLN 56.7 mn y/y, mainly due to realizing gains on sale of securities

Administrative expenses

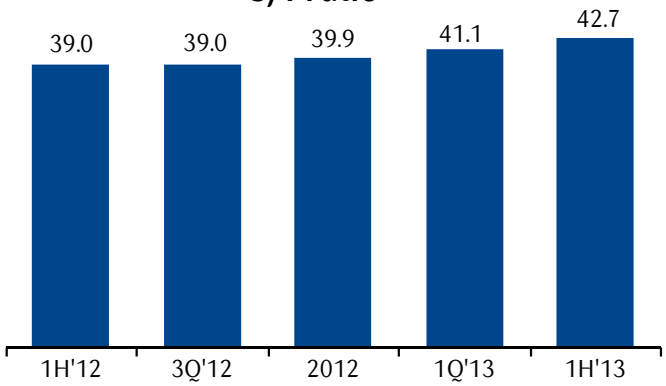
Bank Polski

Administrative expenses (PLN mn)





C/I ratio



Employment (FTEs) eop

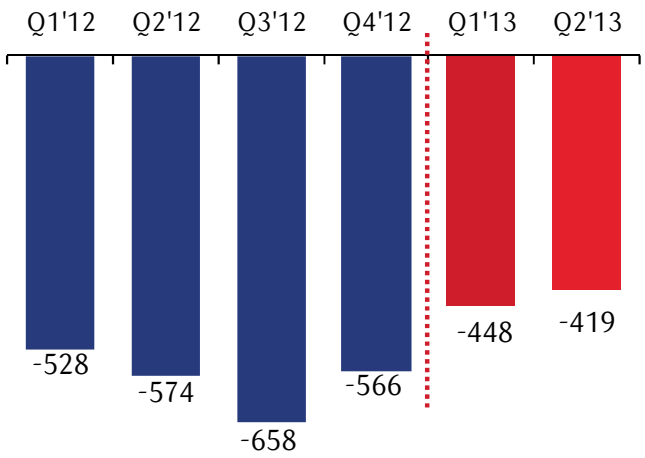
	1H'12	1H'13	Change y/y	
			FTEs	%
Bank	25 437	24 673	-764	-3.0%
Group	28 552	27 794	-758	-2.7%

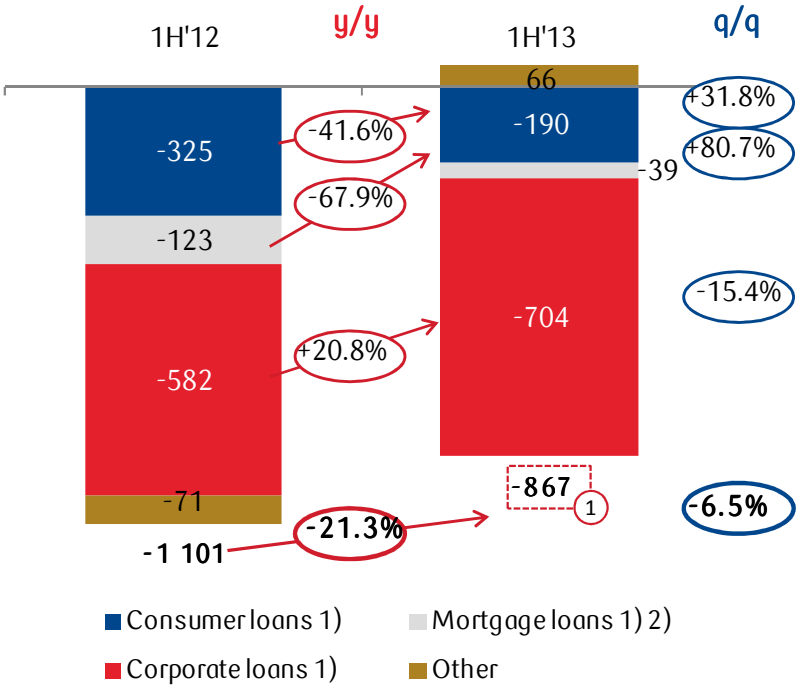
1 Stabilisation of sdministrative expenses y/y thanks to one-off decrease in remuneration costs in connection with change of employee pension scheme (implementation of the Employee Pension Programme - EPP), maintenance of cost discipline and efficiency improvement

Net impairment allowance

Bank Polski

Net impairment allowance and write-offs (PLN mn)





1 Significant improvement of net impairment y/y is mainly a result of the decrease in the net impairment allowance on the consumer and housing loans portfolio

Share of loans with recognized impairment[3)]

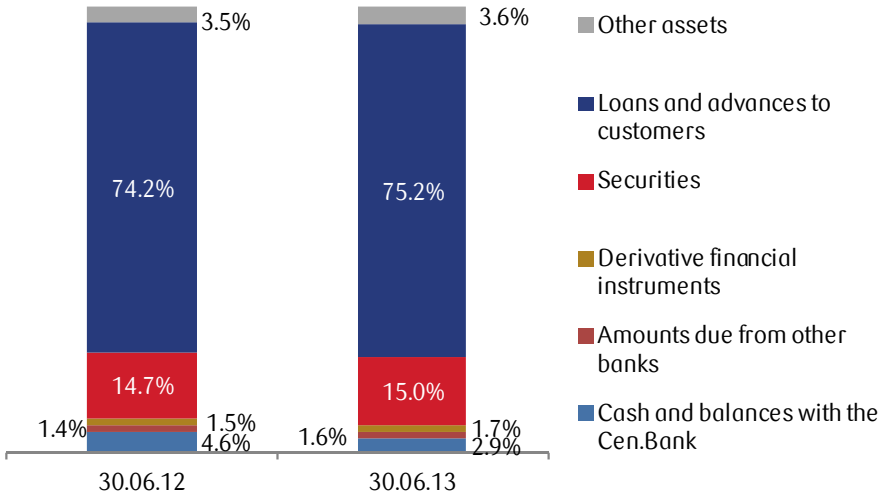
	1H'12	1H'13	Change y/y
Consumer loans	8.0%	10.1%	+2.1 pp.
Mortgage loans	3.7%	3.8%	+0.1 pp.
PLN	*3.6%*	*3.5%*	-0.1 pp.
FX	*3.8%*	*4.2%*	+0.4 pp.
Corporate loans	14.2%	14.0%	-0.2 pp.
Total	**8.7%**	**9.1%**	**+0.4 pp.**

(1) Management data (2)Housing loans for 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 balance sheet

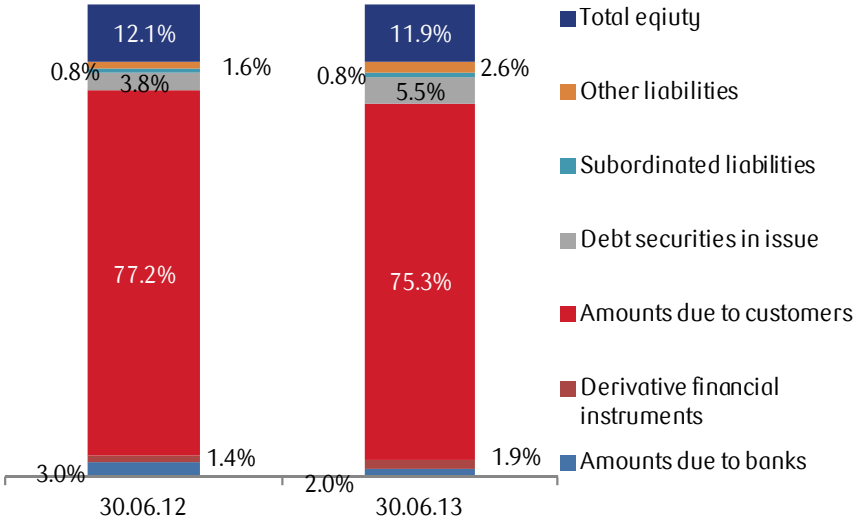
Bank Polski

Total assets



PLN bn	30.06.12	30.06.13	Change y/y
Cash and balances with the Cen.Bank	8.8	5.7	-36.0%
Amounts due from other banks	2.8	3.2	+17.5%
Derivative financial instruments	2.9	3.3	+16.4%
Securities	28.1	29.8	+6.2%
Loans and advances to customers	141.3	149.1	+5.5%
Other assets	6.6	7.1	+7.8%
Total assets	**190.4**	**198.2**	**+4.1%**

Total equity and liabilities



PLN bn	30.06.12	30.06.13	Change y/y
Amounts due to banks	5.7	3.9	-32.4%
Derivative financial instruments	2.8	3.7	+33.5%
Amounts due to customers	147.0	149.2	+1.5%
Debt securities in issue	7.3	10.9	+49.8%
Subordinated liabilities	1.6	1.6	+0.6%
Other liabilities	3.0	5.2	+71.4%
Total eqiuty	23.0	23.7	+2.9%
Total eqiuty and liabilities	**190.4**	**198.2**	**+4.1%**

Loans and deposits

Bank Polski

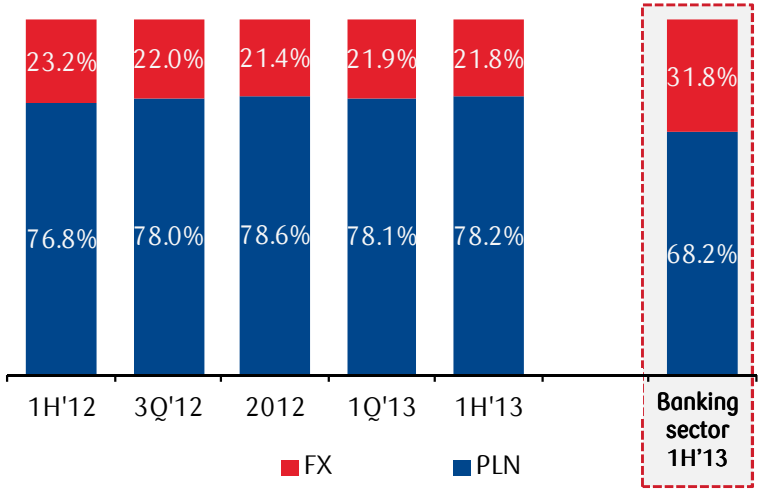
Gross loans (PLN bn)

1H'12	3Q'12	2012	1Q'13	1H'13
147.3	149.2	150.7	154.7	156.3

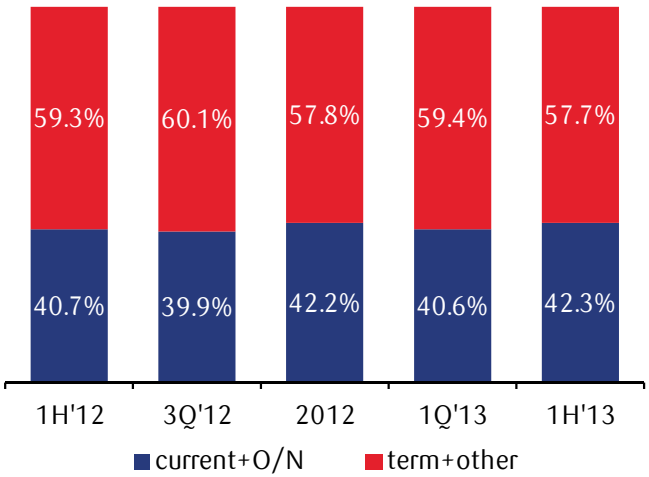
Deposits(1) (PLN bn)

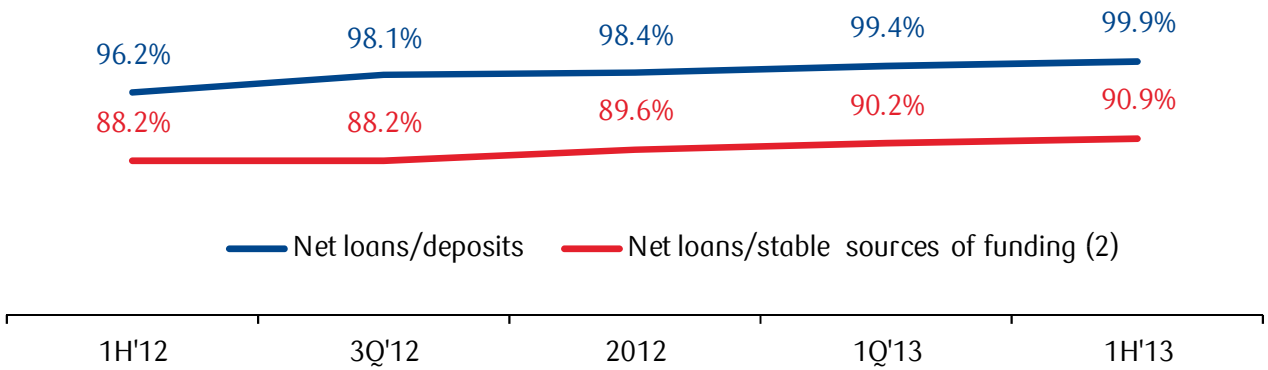
1H'12	3Q'12	2012	1Q'13	1H'13
147.0	145.4	146.2	148.4	149.2

Currency structure of gross loans porfolio



Term structure of total deposits1)





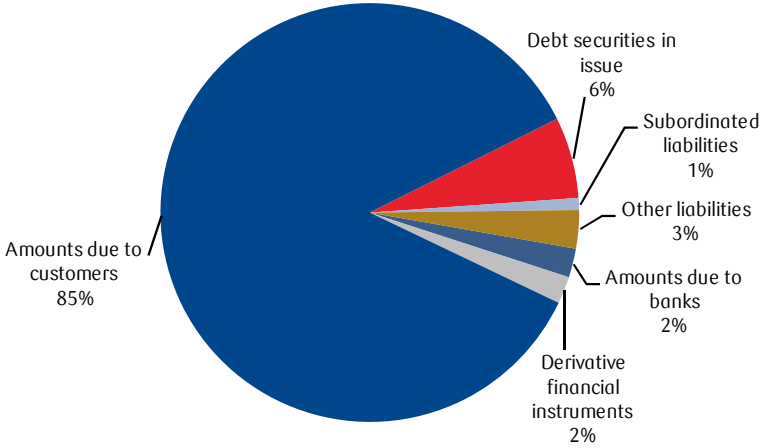
(1) Amounts due to customers

(2) Amounts due to customers and long-term external financing in the form of: issue of securities (incl. funds from the issuance of EMTN carried out by PKO Finance AB), subordinated liabilities and amounts due to financial institutions

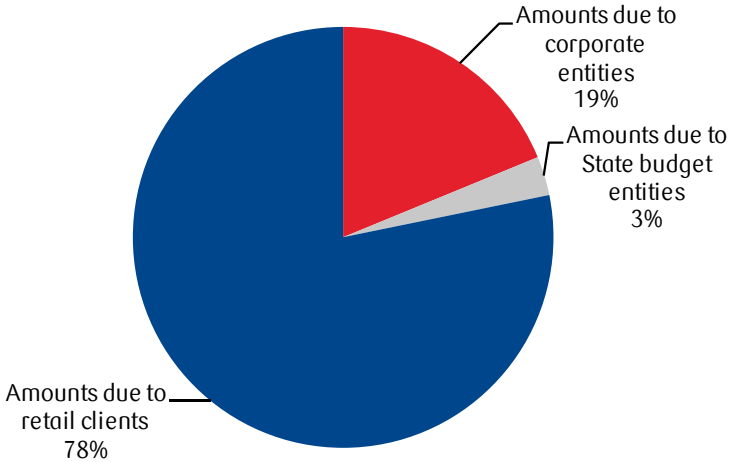
Funding sources

Bank Polski

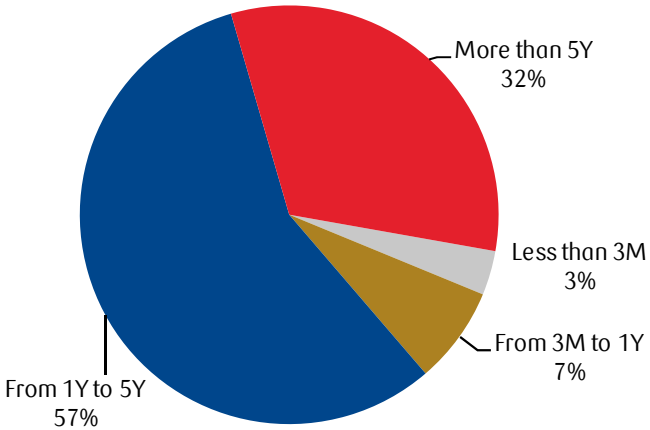
Liabilities structure
(total as at 30 June 2013: PLN 174.6 bn)



Deposit structure
(total as at 30 June 2013: PLN 149.2 bn)

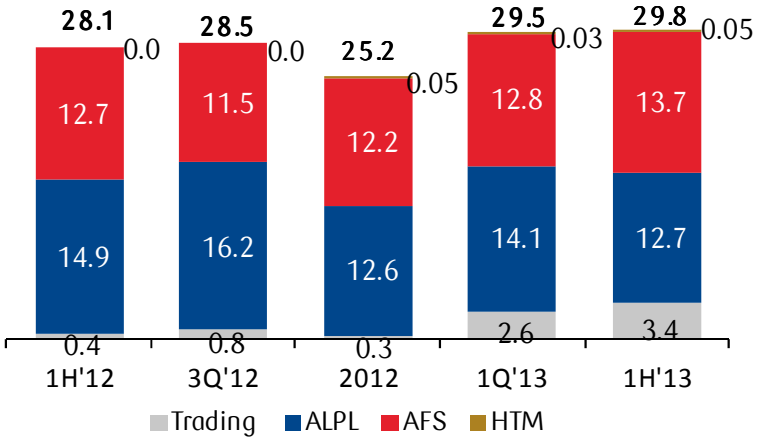


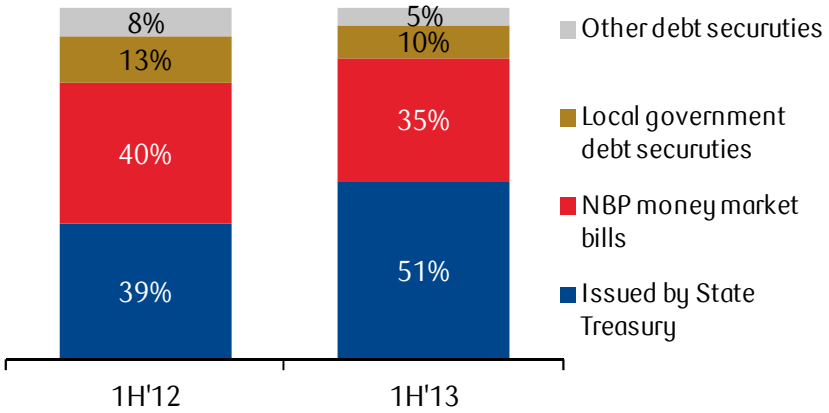
Debt securities structure
(total as at 30 June 2013: PLN 10.9 bn)



- Retail and corporate deposits are the primary source of funding
- Financing agreements as at end-1H 2013 included:
  - CHF 410 mn 3-year credit facility opened in July 2012
  - EUR 800 mn 5Y Eurobonds raised in October 2010
  - CHF 250 mn 5Y bonds issuance in July 2011
  - CHF 500 mn 3.25 Y bonds issuance in September 2012
  - USD 1,000 mn 10Y notes issued in September 2012 on US market under 144A Rule
  - PLN 500 mn domestic issue (short term)

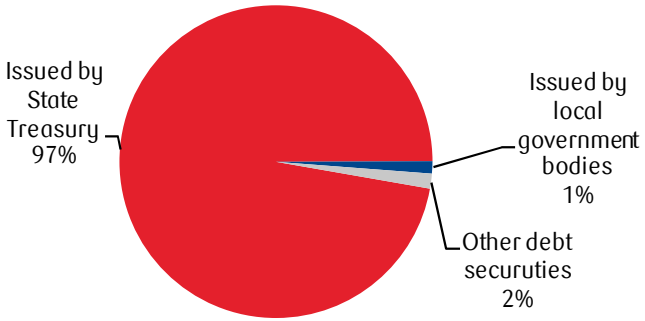
Securities – split of portfolio



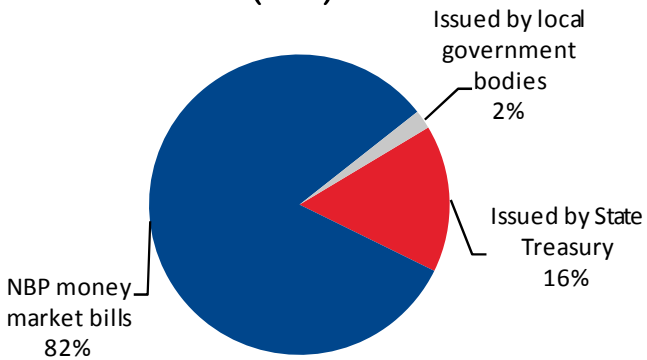


Structure as at end-1H'13

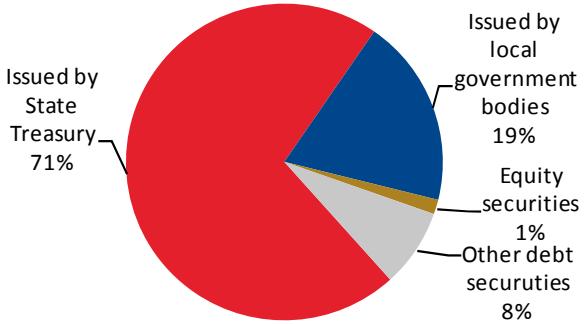
Trading assets



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



Investment securities available for sale (AFS)



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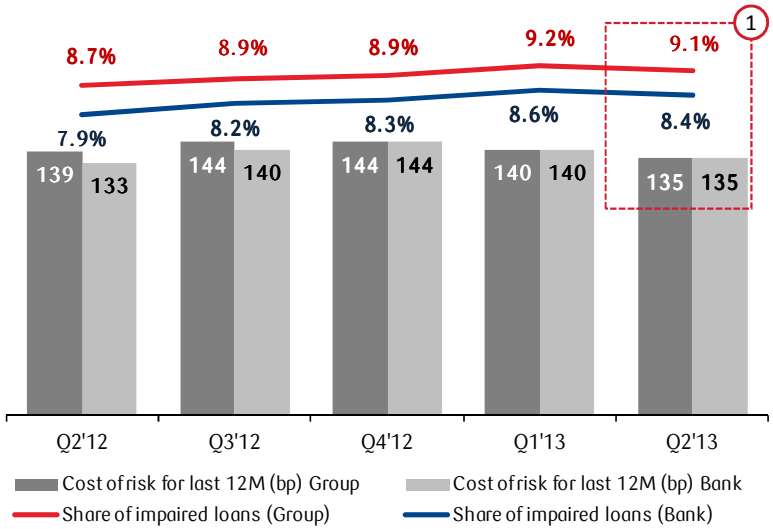
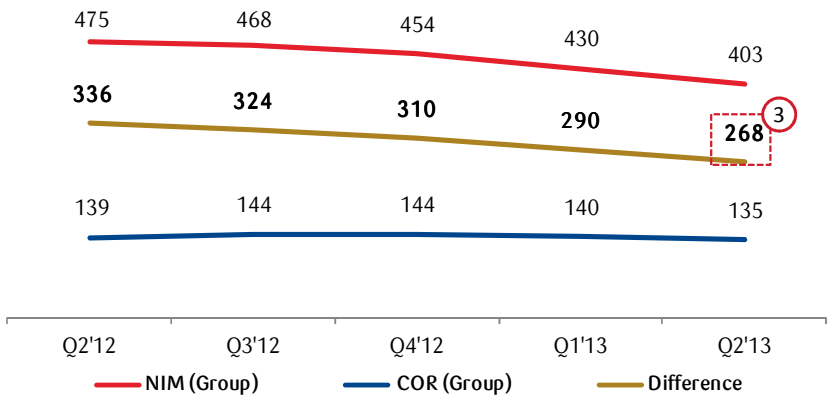
Quality of loan portfolio

Bank Polski

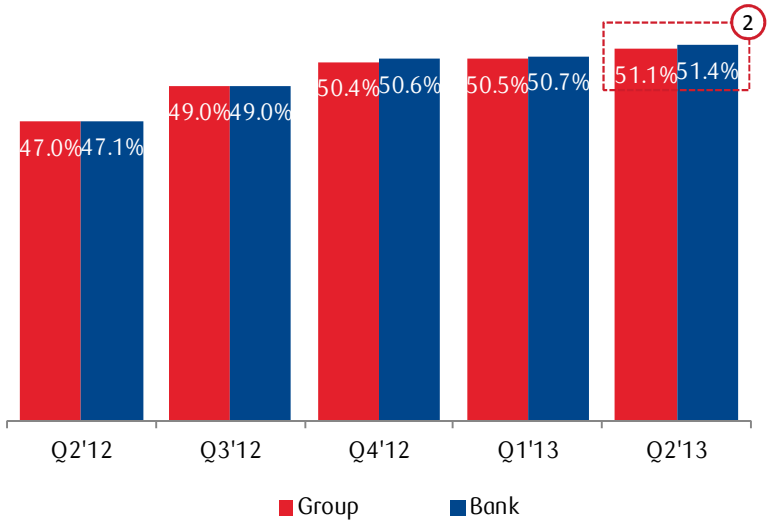
Share of loans with recognized impairment and cost of risk



Cost of risk vs. net interest margin



Coverage of loans with recognized impairment by impairment allowance

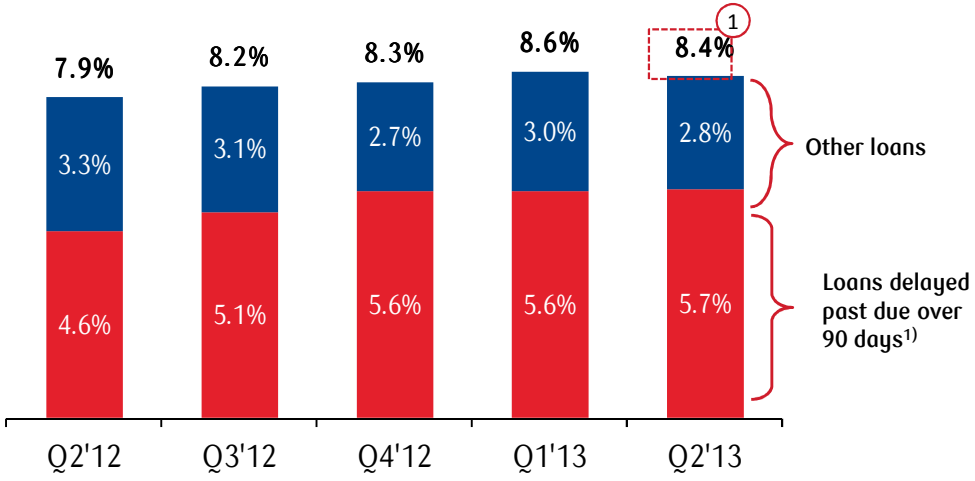


1. Decrease in share of loans with recognized impairment (consolidated and standalone) due to stabilisation of quality of the corporate loans; drop of cost of risk from the beginning of the year for the Group as well as for the Bank
2. Gradual growth of coverage of loans with recognized impairment by impairment allowance
3. Continuation of downward trend of net interest margin adjusted by cost of risk

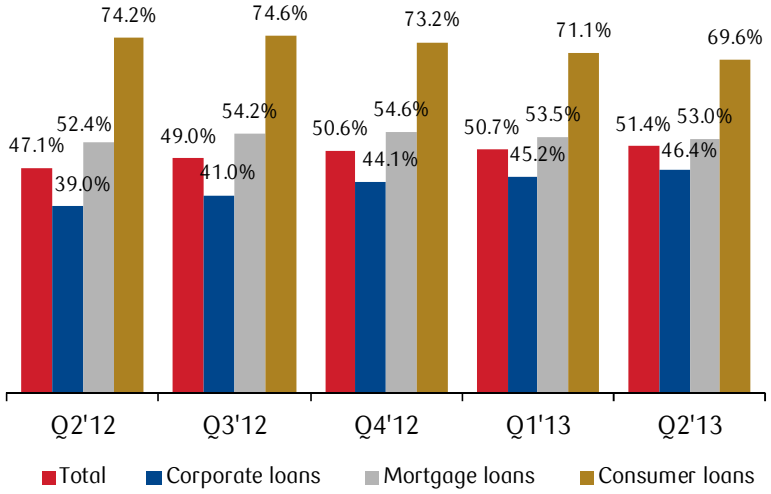
Quality of loan portfolio

Bank Polski

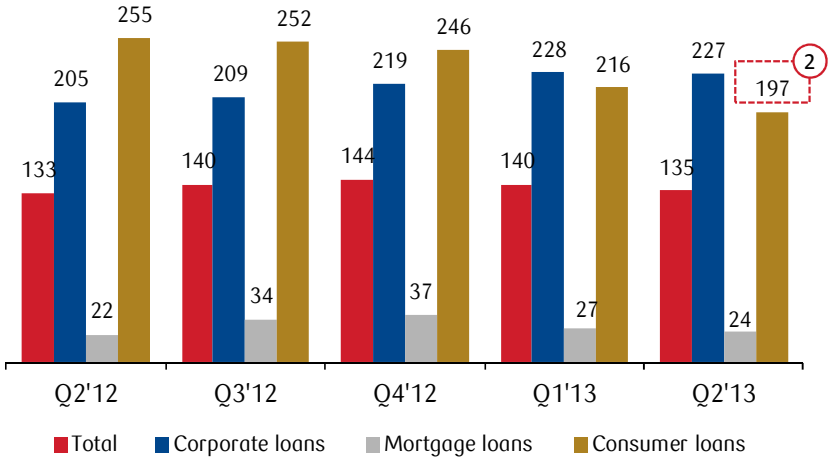
Share of loans with recognized impairment



Coverage of loans with recognized impairment by impairment allowance



Cost of risk for last 12M (bp.)



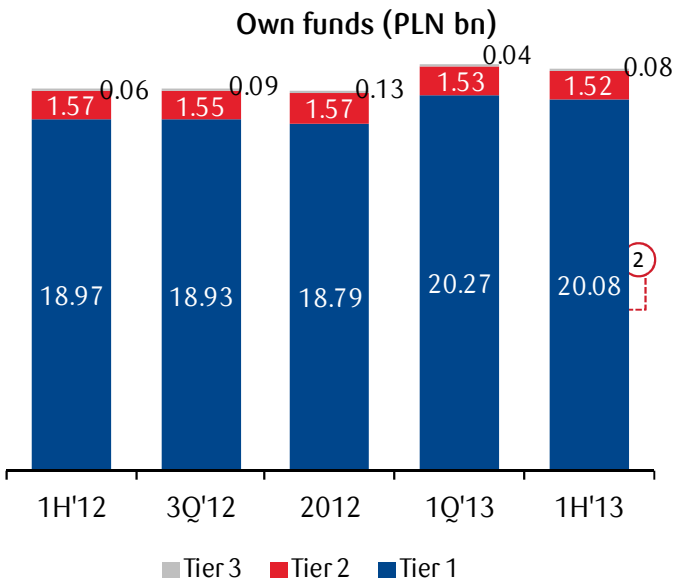
1 Decrease q/q in share loans with recognized impairment due to stabilisation of quality of the corporate loan portfolio

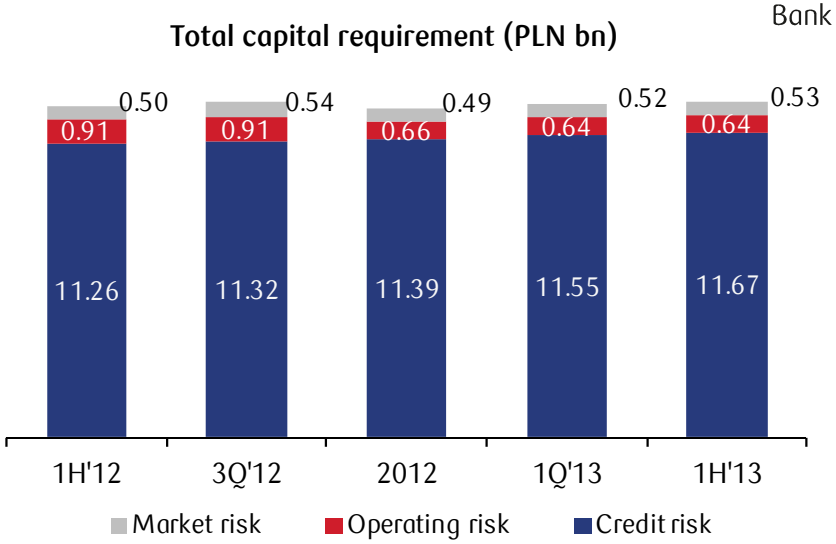
2 Gradual decrease in cost of risk for consumer loans during last 12M

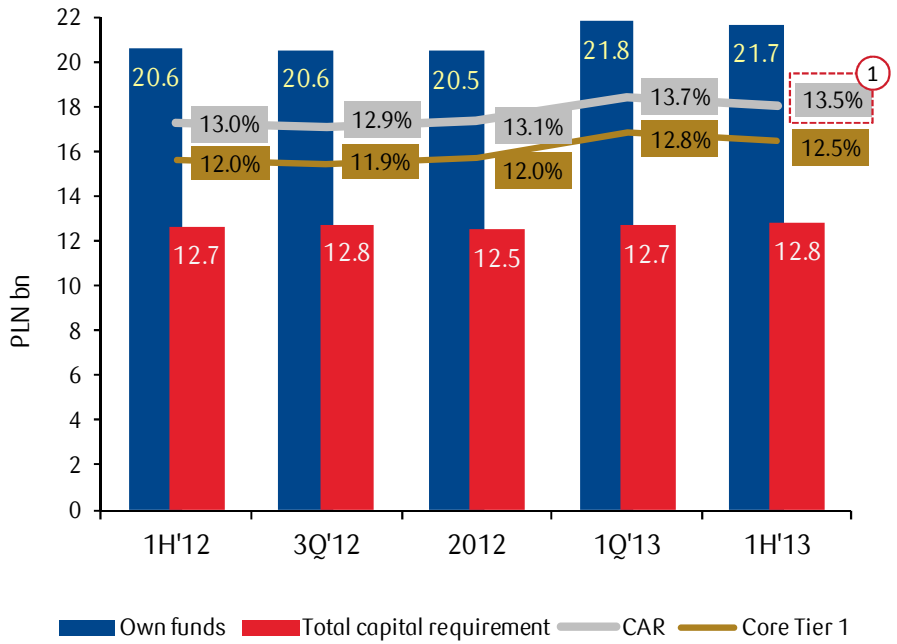
(1) Presentation adjustment: loans which meet the condition of impairment "delay past due over 90 days" (previously presented) changed to loans delayed past due over 90 days

Capital adequacy

Bank Polski



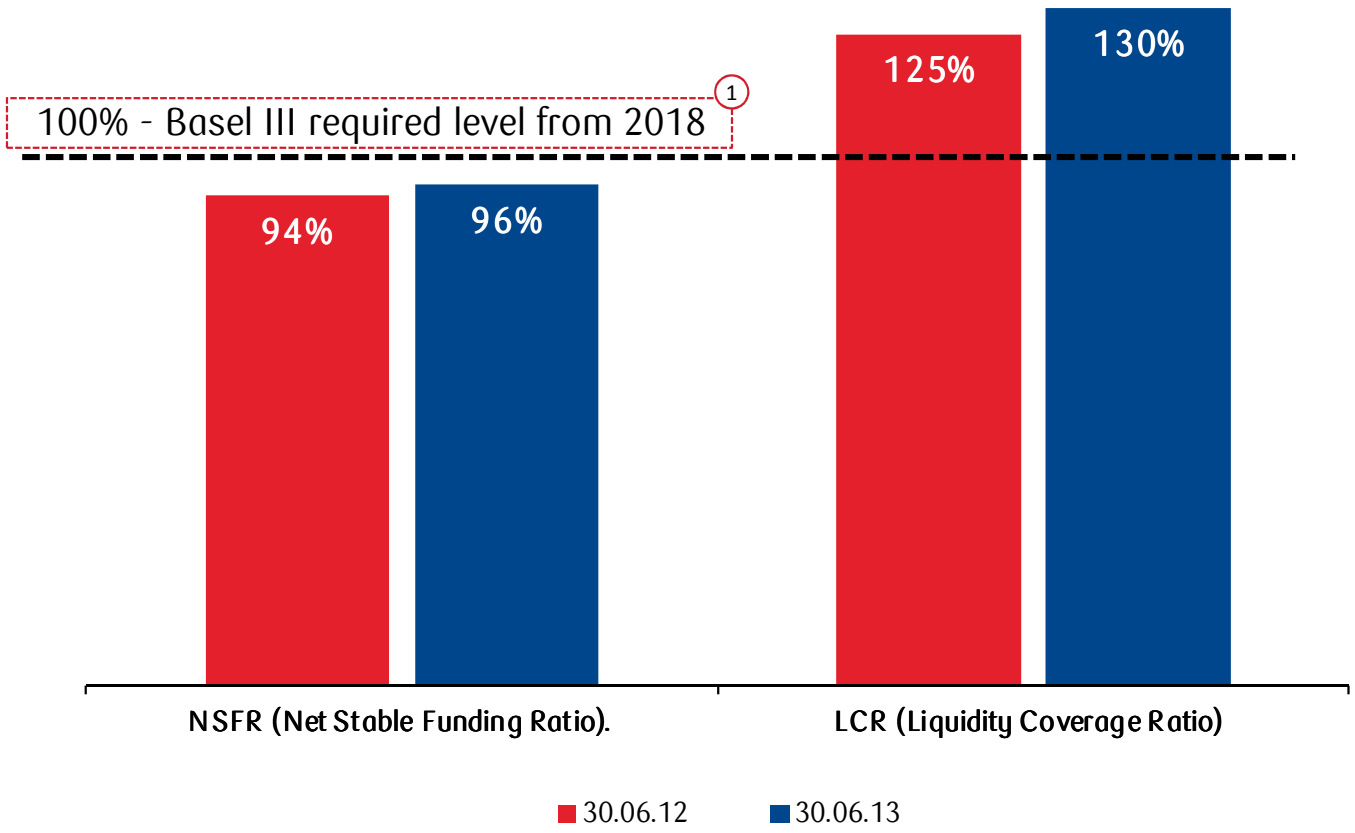




1 Growth of CAR by 0.5 pp. y/y mainly due growth of own funds

2 Growth of Tier 1 funds mainly due to the recognition PLN 1.34 bn of profit earned by the Bank in 2012 and unappriopriated profits from previous years after dividend deduction

Basel III and CRD IV – liquidity ratios



1 On 27 July 2013 in the Official Journal of EU was published the packet of legislative acts adopted by European Parliament concerning prudential requirements: Capital Requirements Directive IV/ Capital Requirements Regulation, which will entry into force on 1st January 2014.

According to CRD IV/CRR minimal level of LCR ratio that banks will be obliged to maintain is:
- from 1st January 2015: 60%,
- in years 2016-2017: 70% and 80% respectively
- from 1st January 2018: 100%.

According to Basel III requirements minimal level of NSFR from 1st January 2018: 100%.

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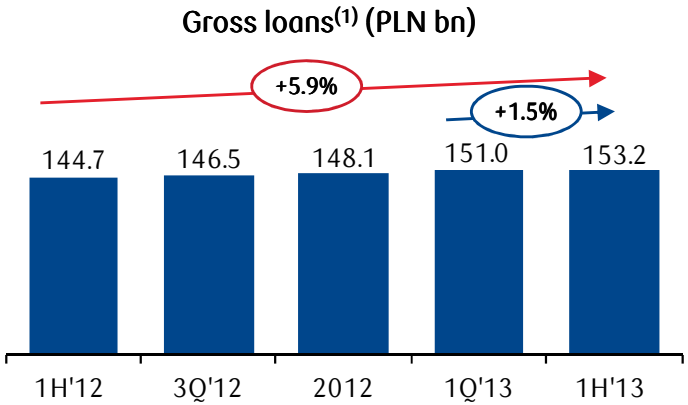
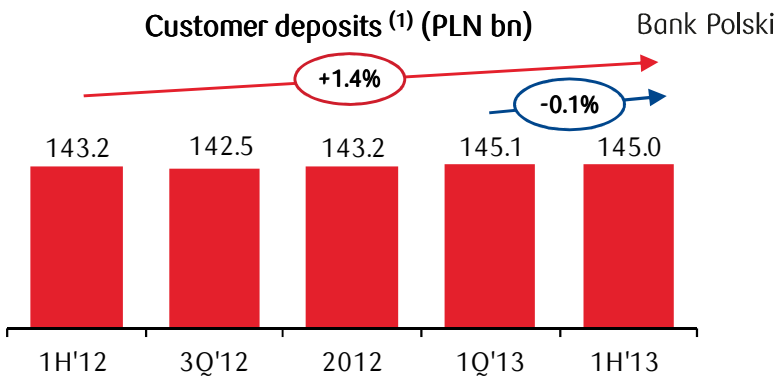
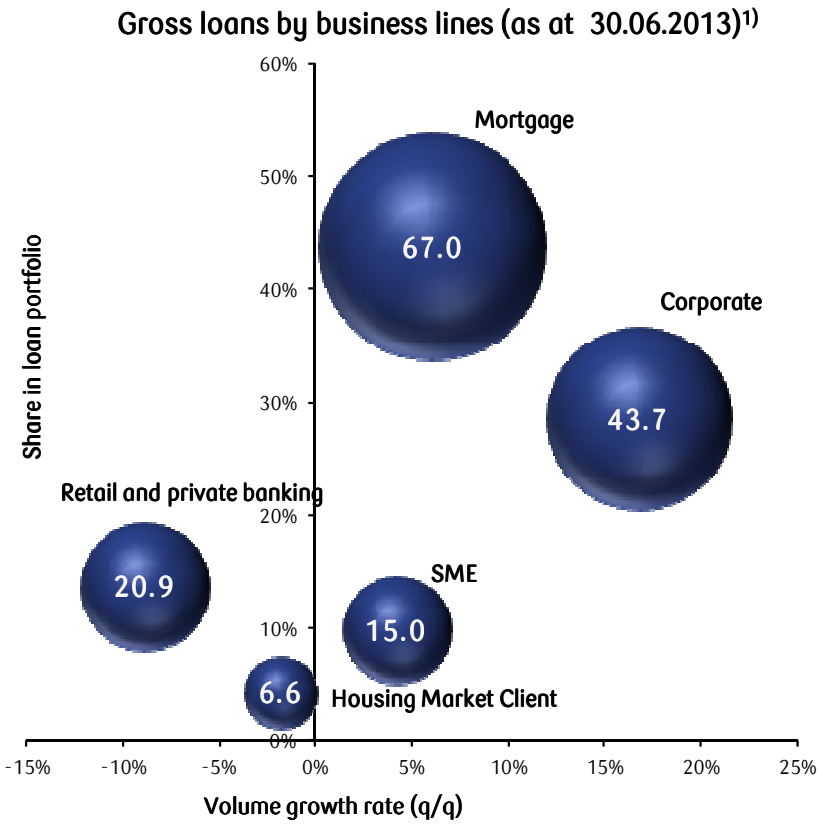
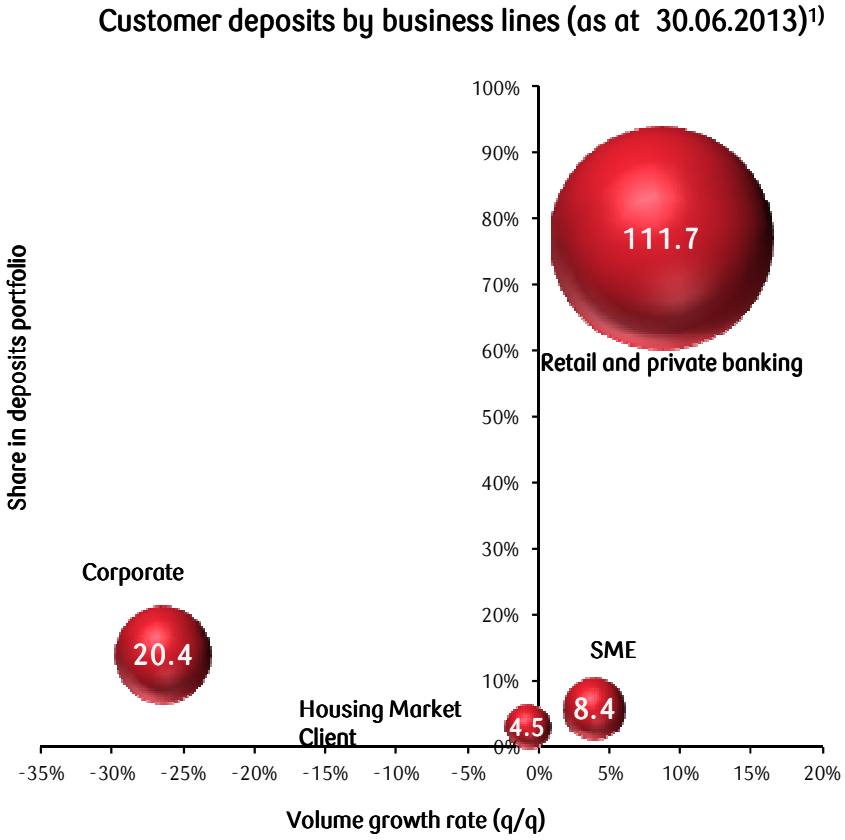
Business activity - volumes







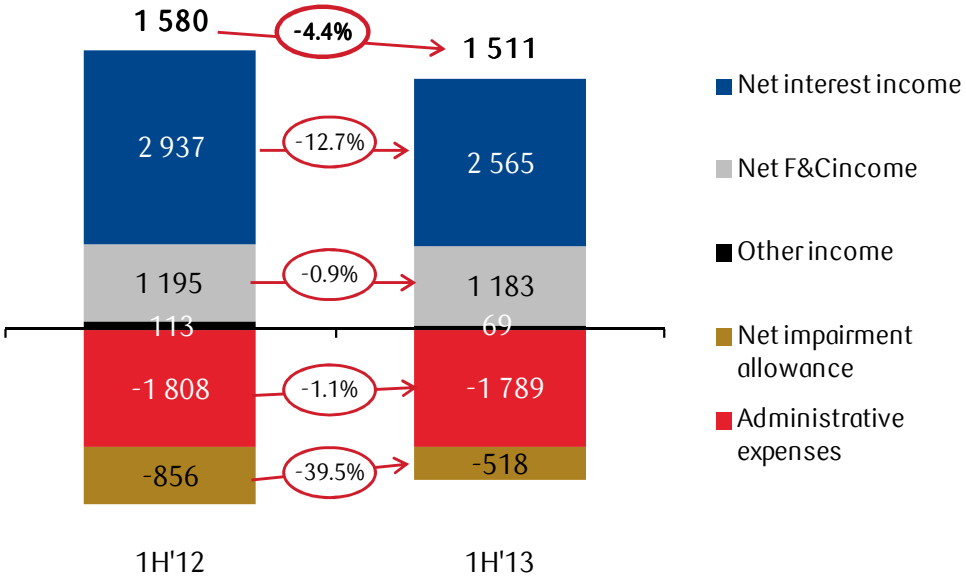


(1) Bank's management data

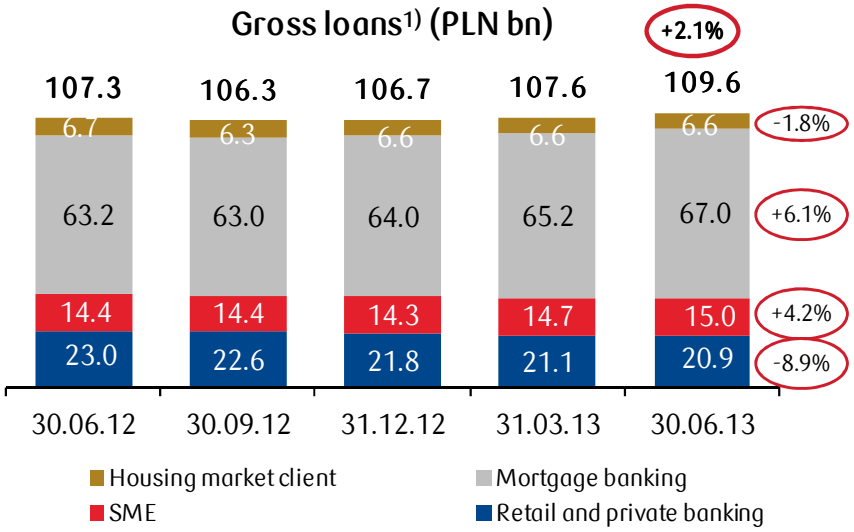
Retail segment

Bank Polski

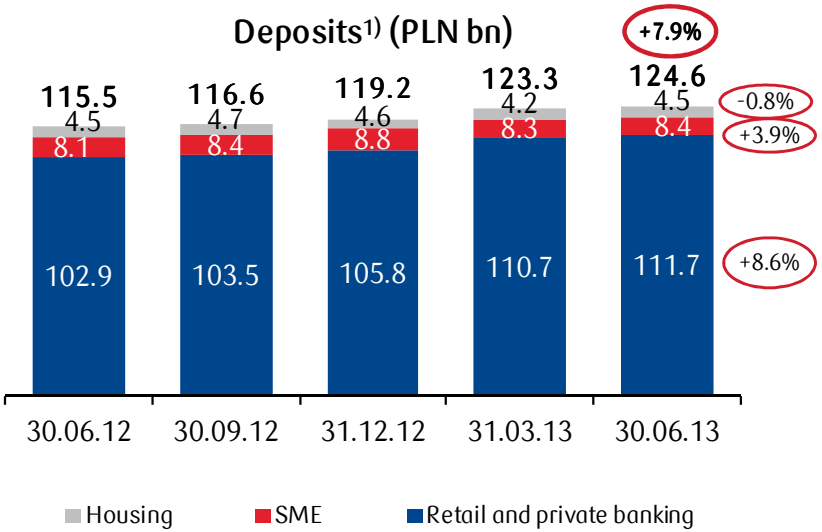
Gross financial result of retail segment (PLN mn)



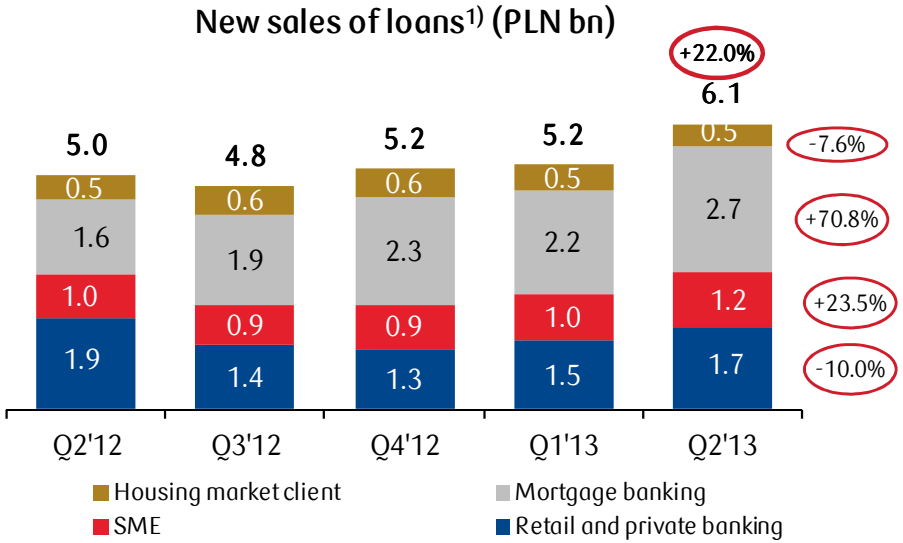
Gross loans[1] (PLN bn)



Deposits[1] (PLN bn)



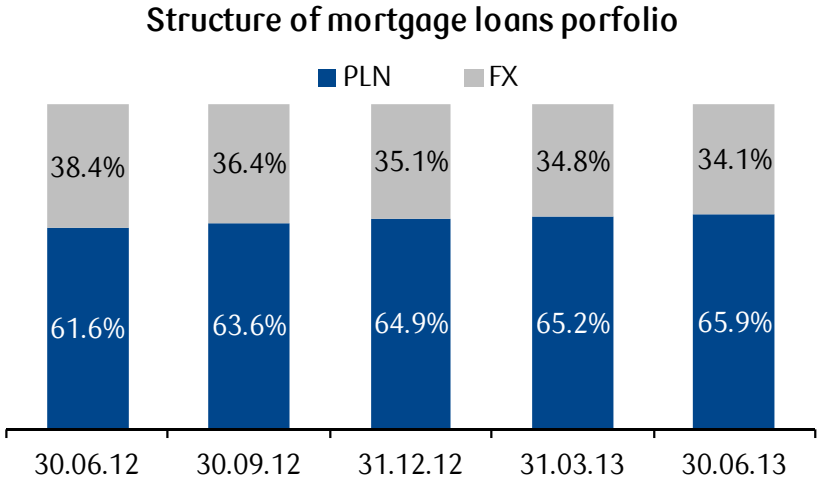
New sales of loans[1] (PLN bn)

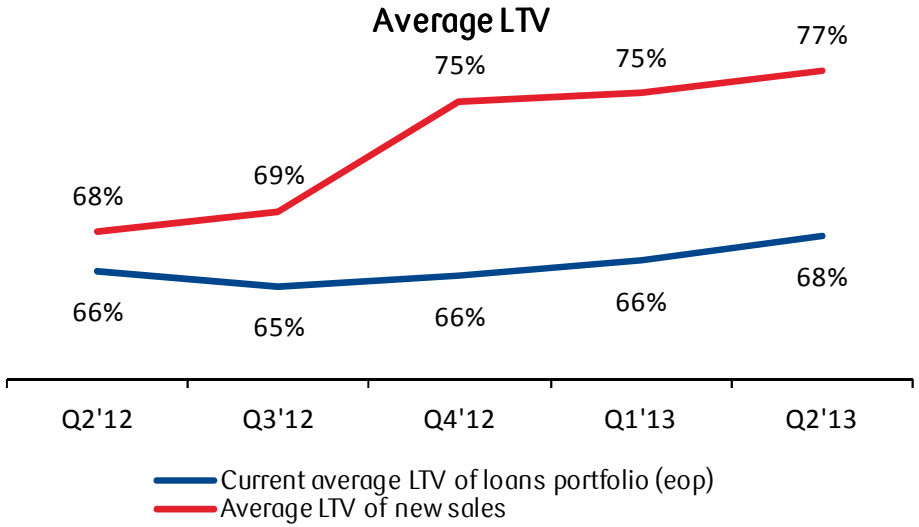


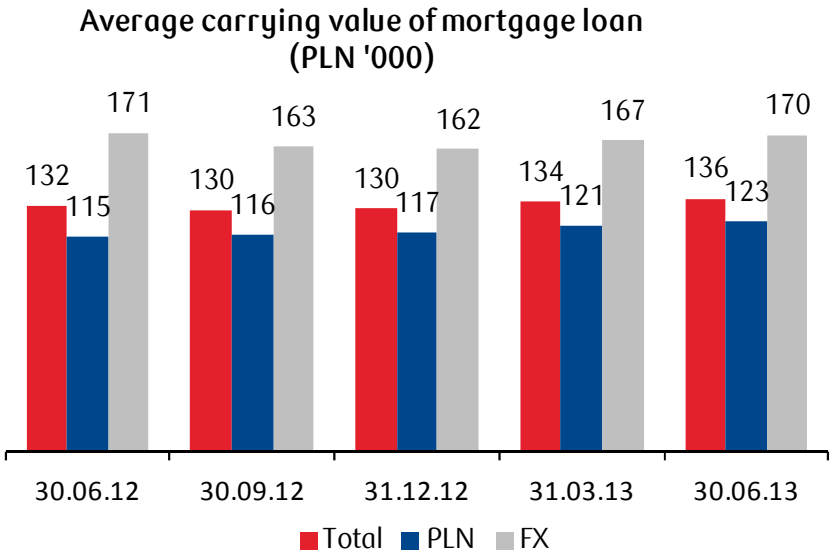
Change y/y

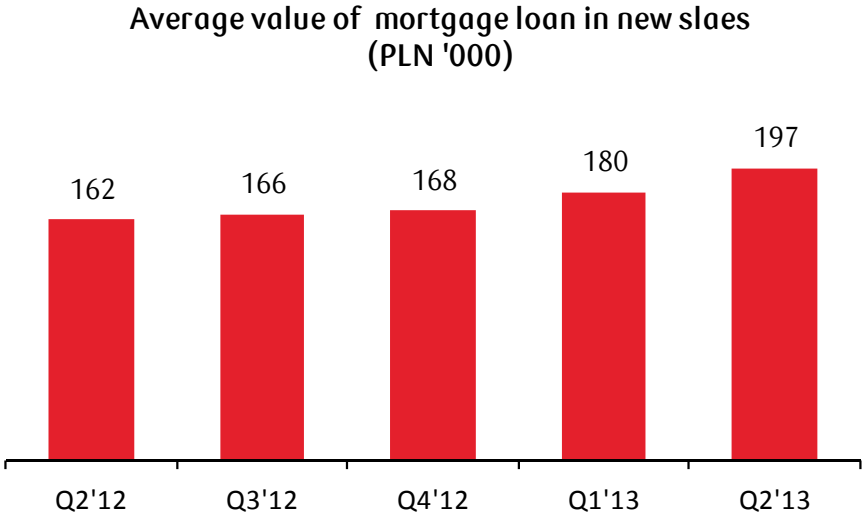
(1) Bank's management data. Change in relation to business volumes previously presented results from a change in presentation; i.a. volumes currently presented include valuation adjustments and accrued interest. Additionally, the mortgage loan for consumer purposes was presented in loans and advances of retail and private banking.

Retail segment – mortgage loans





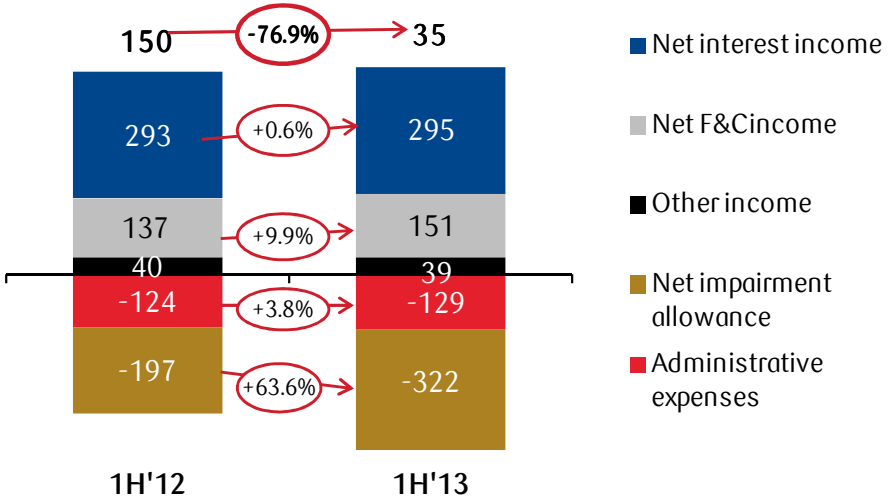




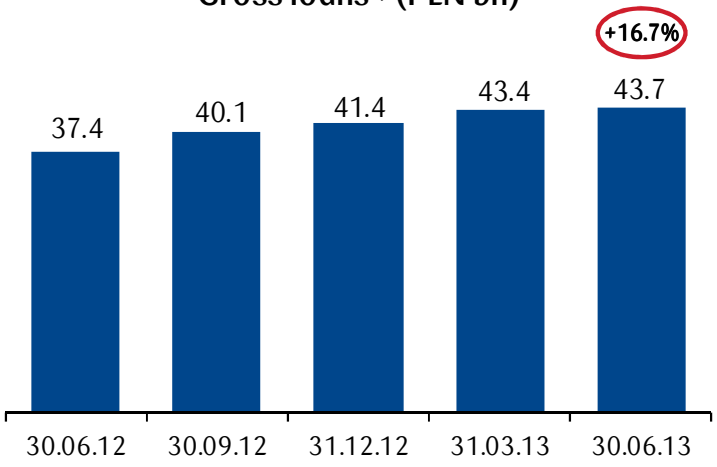
Corporate segment

Bank Polski

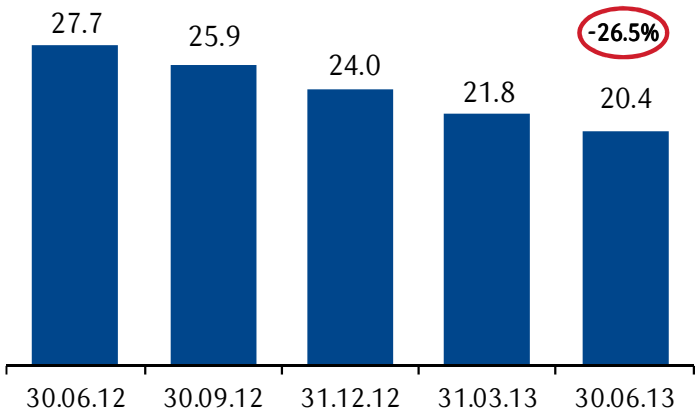
Gross financial result of corporate segment (PLN mn)



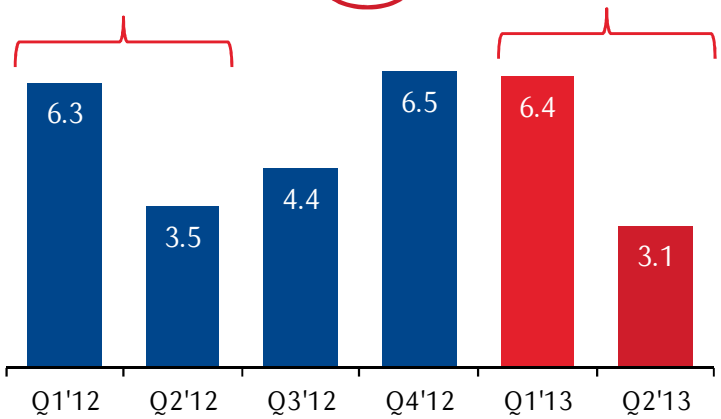
Gross loans[1] (PLN bn)



Deposits[1] (PLN bn)



New sales of loans[1] (PLN bn)



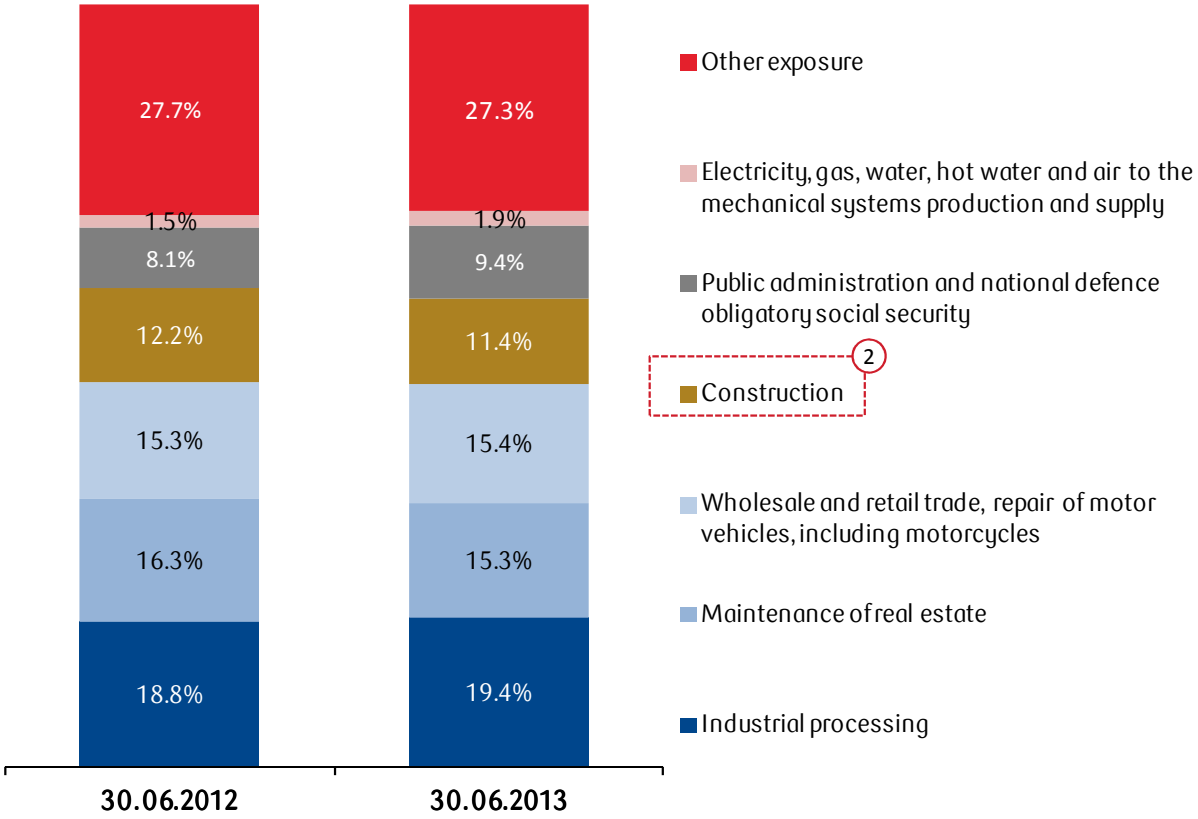
Change y/y

(1) Bank's management data. Change in relation to business volumes previously presented results from a change in presentation; i.a. volumes currently presented include valuation adjustments and accrued interest.

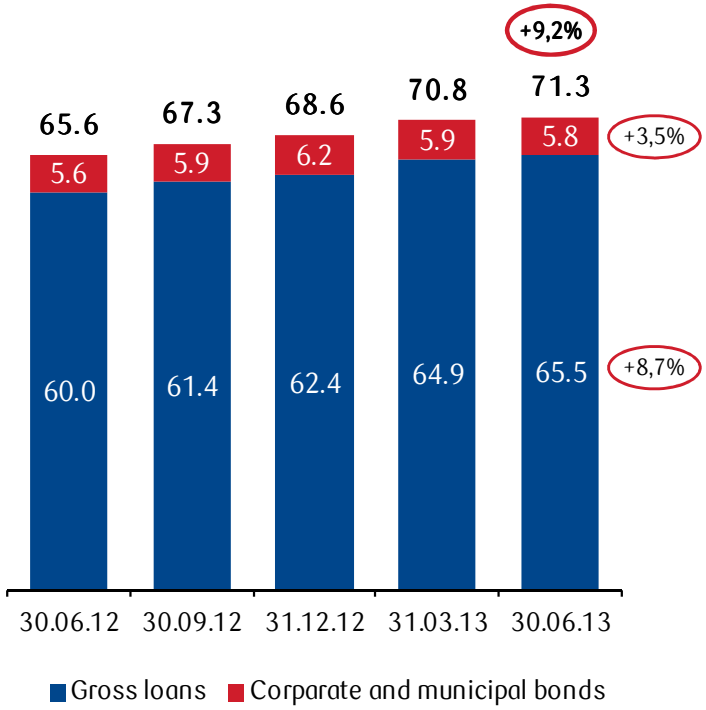
Credit risk concentration

Bank Polski

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



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



1 Strongly diversified loan portfolio indicates low concentration by industry. The biggest share in portfolio has section „Industrial processing", which was at level 19.4% as at end-1H 2013. The highest growth as compared to previous year noted section „Public administration and national defence, obligatory social security"

2 As at end-1H 20113 share of section „Construction" in total gross loans at 5.0%, 0.3 pp lower y/y, along with decrease in corporate loan portfolio by 0.8 pp. y/y

Change y/y

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

Net financial result of Group Entities

Bank Polski

PLN mn	1H 2012	1H 2013	Change
Consolidated net profit	1 953.4	1 534.2	-21.5%
Bank Polski — Banking	2 005.7	1 548.5	-22.8%
TFI — Mutual funds	12.0	17.2	+42.9% (1)
Bankowy OFE — Pension fund	6.3	13.4	+113.6% (2)
Leasing — Leasing	6.1	5.9	-2.6%
platforma inteligo — Internet banking support	9.4	8.0	-14.8%
eService — Payments	11.5	19.3	+66.7% (3)
Kredobank Grupa PKO BP — Banking in Ukraine	-13.9	-26.0	-86.6% (4)
Qualia Development — Real estate development	-5.4	-13.9	-156.6% (5)

1. Increase in net profit thanks to growth of revenues from management of higher funds (growth of assets under management by 41.8% y/y)
2. Growth of net profit mainly as an effect of growth of value of funds under management and aquisition of OFE Polsat in April 2013
3. Growth of net profit thanks to increased margin on transactions processing after lowering interchange fee by payment organisations, development of terminals network, growth of volume of processed transactions and development of new services
4. Decrease in net result due to recession and unstable situation on interbank market in Ukraine
5. Decrease in net result mainly due to lower sales of apartments as a result of situation on real estate market

Basic operational data

Bank Polski

Item (eop)	1H'12	3Q'12	2012	1Q'13	1H'13	Change	
						y/y	q/q
Number of current accounts ('000)	6 126	6 135	6 220	6 245	6 254	+2.1%	+0.1%
Number of banking cards ('000)	7 122	7 158	7 164	7 120	7 225	+1.5%	+1.5%
of which: credit cards	*977*	*978*	*980*	*938*	*919*	-6.0%	-2.0%
Number of branches:	1 197	1 196	1 198	1 199	1 177	-1.7%	-1.8%
- retail	1 133	1 132	1 134	1 135	1 138	+0.4%	+0.3%
- corporate	64	64	64	64	39	-39.1%	-39.1%
Number of agencies	1 218	1 210	1 208	1 202	1 149	-5.7%	-4.4%
Number of ATMs	2 525	2 569	2 803	2 911	2 945	+16.6%	+1.2%
Number of eService terminals	57 829	65 061	68 877	71 706	79 928	+38.2%	+11.5%

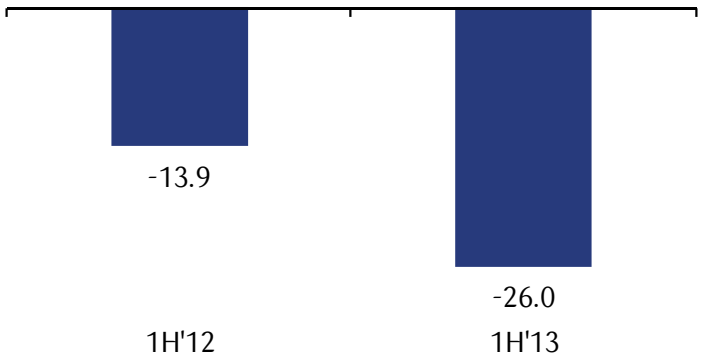
Bank Polski

Executive summary	3
Financial results	14
Risk management	28
Business activity	33
Appendix	41

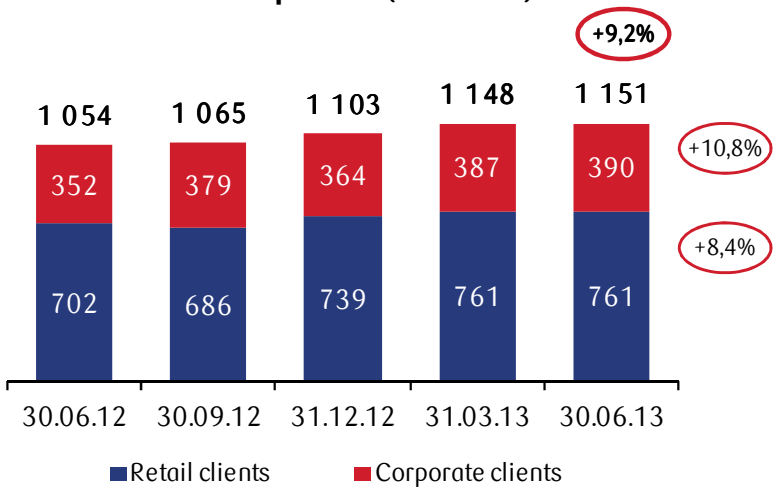
Ukraine operations - Kredobank

Bank Polski

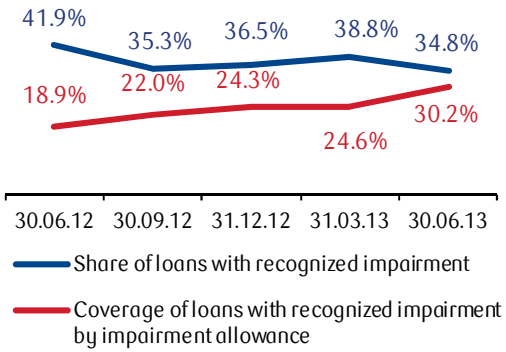
Net financial result of Kredobank (PLN mn)



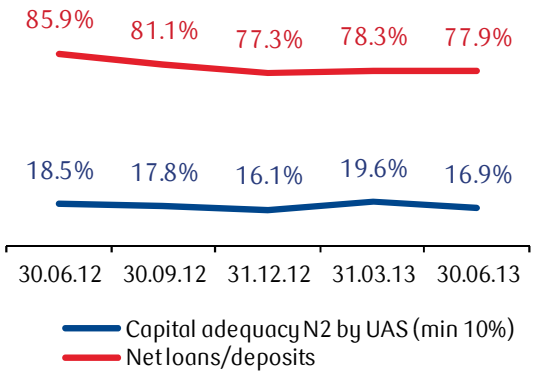
Total deposits (PLN mn)



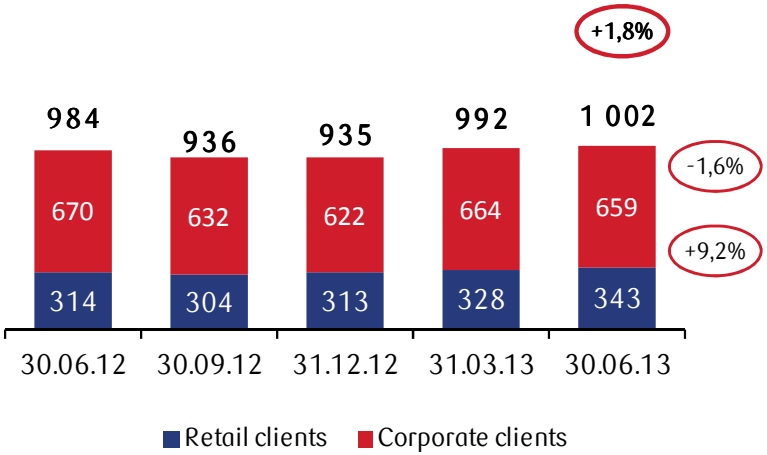
Quality of loan portfolio



Capital adequacy



Total gross loans (PLN mn)



Change y/y

Profit and loss of the PKO Bank Polski Group

Bank Polski

Profit and loss account (PLN '000)	1H'12	1H'13	Change y/y
Net interest income	4 042 245	3 266 230	-19.2%
Net fee and commission income	1 502 699	1 542 578	+2.7%
Other income	245 908	191 000	-22.3%
Dividend income	6 077	5 295	-12.9%
Net income from financial instruments designated at fair value	15 385	3 298	-78.6%
Gains less losses from investment securities	4 642	61 353	+1221.7%
Net foreign exchange gains	144 655	74 943	-48.2%
Net other operating income and expense	75 149	46 111	-38.6%
Total income items	**5 790 852**	**4 999 808**	**-13.7%**
Net impairment allowance and write-offs	(1 101 285)	(866 919)	-21.3%
Administrative expenses	(2 246 341)	(2 225 494)	-0.9%
Share in net profit (losses) of associates and jointly controlled entities	6 028	(14 653)	n.m.
Profit before income tax	**2 449 254**	**1 892 742**	**-22.7%**
Income tax expense	(496 449)	(358 785)	-27.7%
Net profit attributable to non-controlling shareholders	(556)	(274)	-50.7%
Net profit attributable to the parent company	**1 953 361**	**1 534 231**	**-21.5%**

Profit and loss of the PKO Bank Polski Group by quarters

Bank Polski

Profit and loss account (PLN '000)	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13	Q2'13/ Q2'12	Q2'13/ Q1'13
Net interest income	1 983 059	1 977 413	1 863 128	1 693 839	1 572 391	-20.7%	-7.2%
Net fee and commission income	779 259	761 679	806 824	770 179	772 399	-0.9%	+0.3%
Other income	105 242	185 621	184 344	57 785	133 215	+26.6%	+130.5%
Dividend income	6 077	2 004	-	-	5 295	n.m.	n.m.
Net income from financial instruments designated at fair value	872	32 843	45 960	(155)	3 453	n.m.	-2327.7%
Gains less losses from investment securities	5 349	17 348	57 823	28 324	33 029	n.m.	+16.6%
Net foreign exchange gains	52 876	88 732	22 750	(12 225)	87 168	+64.9%	-813.0%
Net other operating income and expense	40 068	44 694	57 811	41 841	4 270	-89.3%	-89.8%
Total income items	**2 867 560**	**2 924 713**	**2 854 296**	**2 521 803**	**2 478 005**	**-13.6%**	**-1.7%**
Net impairment allowance and write-offs	(573 759)	(657 627)	(566 316)	(447 983)	(418 936)	-27.0%	-6.5%
Administrative expenses	(1 094 011)	(1 131 433)	(1 240 623)	(1 119 727)	(1 105 767)	+1.1%	-1.2%
Share in net profit (losses) of associates and jointly controlled entities	(1 983)	8 399	4 598	(2 337)	(12 316)	+521.1%	+427.0%
Profit before income tax	**1 197 807**	**1 144 052**	**1 051 955**	**951 756**	**940 986**	**-21.4%**	**-1.1%**
Income tax expense	(249 475)	(223 285)	(178 084)	(170 511)	(188 274)	-24.5%	+10.4%
Net profit attributable to non-controlling shareholders	(242)	(249)	(373)	(177)	(97)	-59.9%	-45.2%
Net profit attributable to the parent company	**948 574**	**921 016**	**874 244**	**781 422**	**752 809**	**-20.6%**	**-3.7%**

Consolidated statement of financial position of the PKO Bank Polski Group

Bank Polski

Assets (PLN '000)	30.06.12	30.09.12	31.12.12	31.03.13	30.06.13	Change y/y	Change q/q
Cash and balances with the Central Bank	8 837 388	6 718 060	10 289 451	7 759 248	5 658 046	-36.0%	-27.1%
Amounts due from other banks	2 761 316	5 163 845	3 392 486	1 729 557	3 243 295	+17.5%	+87.5%
Trading assets	389 610	763 014	277 566	2 627 211	3 376 991	+766.8%	+28.5%
Derivative financial instruments	2 857 209	3 533 570	3 860 561	3 463 573	3 324 374	+16.4%	-4.0%
Financial assets designated at fair value through P&L	14 946 799	16 220 526	12 629 711	14 114 362	12 661 245	-15.3%	-10.3%
Loans and advances to customers	141 331 155	142 705 562	143 875 644	147 491 817	149 100 583	+5.5%	+1.1%
Investment securities available for sale and securities held to maturity	12 741 997	11 539 407	12 252 101	12 797 794	13 769 975	+8.1%	+7.6%
Tangible fixed assets	2 494 788	2 524 543	2 650 597	2 645 938	2 662 292	+6.7%	+0.6%
Other assets	4 077 609	4 078 835	4 251 511	4 503 880	4 422 348	+8.5%	-1.8%
TOTAL ASSETS	**190 437 871**	**193 247 362**	**193 479 628**	**197 133 380**	**198 219 149**	**+4.1%**	**+0.6%**

Liabilities and eqiuty (PLN '000)	30.06.12	30.09.12	31.12.12	31.03.13	30.06.13	Change y/y	Change q/q
Amounts due to the central bank	2 868	2 856	3 128	2 909	3 858	+34.5%	+32.6%
Amounts due to banks	5 740 840	3 632 951	3 733 947	4 056 803	3 876 976	-32.5%	-4.4%
Derivative financial instruments	2 759 720	3 356 751	3 964 098	3 577 349	3 684 673	+33.5%	+3.0%
Amounts due to customers	146 986 505	145 444 287	146 193 570	148 446 145	149 242 633	+1.5%	+0.5%
Debt securities in issue	7 303 275	10 766 512	10 270 783	10 924 388	10 939 240	+49.8%	+0.1%
Subordinated liabilities	1 614 369	3 244 162	1 631 256	1 604 076	1 624 355	+0.6%	+1.3%
Other liabilities	3 022 565	3 029 836	2 975 196	3 099 346	5 181 813	+71.4%	+67.2%
Total equity	23 007 729	23 770 007	24 707 650	25 422 364	23 665 601	+2.9%	-6.9%
TOTAL EQUITY AND LIABILITIES	**190 437 871**	**193 247 362**	**193 479 628**	**197 133 380**	**198 219 149**	**+4.1%**	**+0.6%**

Profit and loss of the PKO Bank Polski

Bank Polski

Profit and loss account (PLN '000)	1H'12	1H'13	Change y/y
Net interest income	3 986 735	3 206 339	-19.6%
Net fees and commission income	1 379 188	1 382 708	+0.3%
Other income	261 899	221 688	-15.4%
Dividend income	91 196	78 567	-13.8%
Net income from financial instruments designated at fair value	14 796	3 851	-74.0%
Gains less losses from investment securities	5 574	60 773	+990.3%
Net foreign exchange gains	142 973	73 235	-48.8%
Net other operating income and expense	7 360	5 262	-28.5%
Total income items	**5 627 822**	**4 810 735**	**-14.5%**
Net impairment allowance and write-offs	(1 092 039)	(883 682)	-19.1%
Administrative expenses	(2 042 713)	(2 031 444)	-0.6%
Profit before income tax	**2 493 070**	**1 895 609**	**-24.0%**
Income tax expense	(487 384)	(347 090)	-28.8%
Net profit	**2 005 686**	**1 548 519**	**-22.8%**

Profit and loss of the PKO Bank Polski by quarters

Bank Polski

Profit and loss account (PLN '000)	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13	Q2'13/ Q2'12	Q2'13/ Q1'13
Net interest income	1 955 994	1 950 160	1 835 541	1 664 973	1 541 366	-21.2%	-7.4%
Net fees and commission income	714 027	691 249	734 147	708 698	674 010	-5.6%	-4.9%
Other income	135 238	141 101	134 132	23 101	198 587	+46.8%	+759.6%
Dividend income	75 077	2 004	-	-	78 567	+4.6%	n.m.
Net income from financial instruments designated at fair value	245	32 814	47 482	504	3 347	+1266.1%	+564.1%
Gains less losses from investment securities	6 377	17 668	58 363	27 568	33 205	+420.7%	+20.4%
Net foreign exchange gains	53 018	88 238	22 942	(13 608)	86 843	+63.8%	-738.2%
Net other operating income and expense	521	377	5 345	8 637	(3 375)	-747.8%	-139.1%
Total income items	**2 805 259**	**2 782 510**	**2 703 820**	**2 396 772**	**2 413 963**	**-13.9%**	**+0.7%**
Net impairment allowances	(570 264)	(645 386)	(721 165)	(430 046)	(453 636)	-20.5%	+5.5%
General administrative expenses	(986 168)	(1 025 908)	(1 124 136)	(1 022 736)	(1 008 708)	+2.3%	-1.4%
Profit before income tax	**1 248 827**	**1 111 216**	**858 519**	**943 990**	**951 619**	**-23.8%**	**+0.8%**
Income tax expense	(241 816)	(216 928)	(165 876)	(165 380)	(181 710)	-24.9%	+9.9%
Net profit	**1 007 011**	**894 288**	**692 643**	**778 610**	**769 909**	**-23.5%**	**-1.1%**

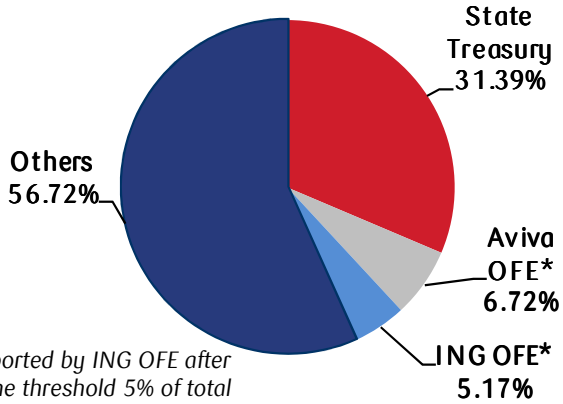
Basic information

Bank Polski

Basic information on shares

- **Listed:** Warsaw Stock Exchange since 10.11.2004 r.
- **Indices:** WIG, WIG20, 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 ING OFE (as at 24.07.12) and Aviva OFE (as at 29.01.13)*

Rating

Rating: / Agency:	Long-term	Short-term	Financial strengh	Support
Moody's	A2 with negative outlook	P-1	C- with negative outlook	
Standard&Poor's	A- on the watch list with negative implications (since 14.06.2013)	A-2 with stable outlook		
Fitch (unsolicited)				2

Dividend

Payment from the net profit of the year	DPS (PLN)	Dividend yield (Div. Day)	Payout ratio
2012	1.80	x	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 adopted on 4th April 2012 assumes:

- to maintain a stable level of dividend payments in the long term, in compliance with the principles of prudent bank management and with consideration of the financial strength of the Bank and the Bank's Capital Group as determined on the basis of the adopted criteria
- an optimization of the capital structure, taking into account the return on capital and its cost, capital needs for development, while ensuring an appropriate level of capital adequacy ratios
- to recommend in the future the payment of dividend in an amount ensuring that the capital adequacy ratios are maintained at the following levels:
  - capital adequacy ratio above 12 per cent while maintaining the necessary capital buffer
  - common equity Tier 1 ratio above 9 per cent while maintaining the necessary capital buffer

Disclaimer

Bank Polski

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Investors calendar:

19 September 2013	The Dividend Day
4 October 2013	The Dividend Payment Day
13 November 2013	Publication of 3Q 2013 Report
3 March 2014	Publication of Annual Report 2013