



Bank Polski

Ladies and Gentlemen,

It has become a good tradition that, despite the market situation, all annual reports presenting the Bank and the Capital Group's activity you receive outline satisfactory financial results. Each year, we also highlight relevant, positive changes related to organizational culture – a kind of DNA of our institution. We follow this tradition while handing You our annual 2013 report.

Last year was a year when the Bank's new strategy for 2013-2015 was launched; its main assumptions are well summarized by the slogan "Everyday better". When implementing our new business initiatives, we draw on past achievements in order to strengthen and assure PKO's position as the leader in the Polish banking sector and a leading universal bank in the region. For the first time in the Bank's history, mergers and strategic alliances become relevant tools in achieving the goal.

This way we embrace economic trends and changes in the banking market. They are defined by still high level of economic uncertainty, increasingly restrictive regulatory changes, technological revolution as well as increasing customers' demands and more severe competition from players representing non-financial sector. Keeping in mind long-term growth in the shareholder value and customer satisfaction, we seek competencies and expertise to supplement and to additionally strengthen our existing resources. For this, we use the bank's strong capital position which enables safe financing of acquisitions while maintaining dividend-paying ability.

Acquisition of a part of Polish assets of a Scandinavian Nordea Group, announced in June last year, could serve as a good example of such an approach. The resources of the acquired companies: Nordea Bank Polska, life insurer Nordea Polska TUnŻ and a leasing and factoring company Nordea Finance Polska will significantly contribute to PKO Bank Polski's expansion. Thanks to the integration and synergy effects, the bank's scale of operations will increase as well, being topped up by attractive network of branches located in large cities and by stronger position in affluent clients' segment. We will also enhance our competencies in the corporate banking sector, especially in the area of international services provided for large companies. This knowledge will allow us to better follow our customers' needs and to support their pursue of international goals. Establishing a leasing company in Sweden on behalf of one of our clients has been a symbolic first step in this direction. Joining PKO Capital Group by Nordea Polska TUnŻ will supplement our expertise and will accelerate our growth in insurance services sector.

Taking over Nordea assets and achieving synergy effects due to their integration is an important, but not the only example of the Capital Group's expansion. In November, we signed an agreement with EVO Payments International – an international payment service provider operating in the US, Canada

and Europe – on selling a stake in eService company and establishing 20years-long strategic alliance on the electronic payment services market. The support from such an experienced technological partner will allow eService to provide services also in other countries from the Central and Eastern Europe.

At the same time, we develop new business initiatives, by increasing an attractiveness of the Bank's offer addressed at retail customers and by meeting expectations of our partners in the corporate sector. Last year, we initiated setting up the Polish payment standard, with IKO – innovative mobile banking platform of PKO Bank Polski – being used as its basis. In one year, IKO system has been appreciated by over 150,000 users.

In 2013, we implemented a new retail sales model which contributed to increased efficiency of our branches, better quality of customer service and higher customer and employee satisfaction. We have also been continuing a program of financial education addressed at the young customer. Launching Junior bank account, with an innovating and unique transaction system for the youngest, has been its next step.

In 2013, we consistently supported the financing of the country's economy as well as small and medium-sized enterprises. As an active participant of the government "de minimis" program supporting entrepreneurs, we provided them with working capital loans amounting to over PLN 3.7 billion – the biggest amount out of 19 banks participating in the program. We also strive for deepened relationships with our corporate and local government customers. A new organizational model of the corporate network, adjusted to the needs of this demanding market and launched last year, as well as the Bank's involvement into pan-European Marguerite fund, financing infrastructural investments, are to serve the goal.

The market appreciates the changes we regularly launch. Numerous awards for, among other things, quality of the service in both remote sale channels and at branches as well as awards for innovation, are the best proof. A steady increase in the value of the brand – the most valuable brand in Polish financial sector, now estimated at PLN 3.7 billion – is the best expression of confidence in PKO Bank Polski.

While pursuing more and more ambitious targets, we constantly take care of such important values as entrepreneurship, continuous development, customer satisfaction and our credibility. We want them to define the overall shape of the Bank's organizational culture and the attitude of our employees and we want them to serve as guidance in our daily activity. Consequently, we invest into human capital and support personal development of our staff by offering attractive remuneration or launching – as of 2013 – a pension plan. All of that makes the Bank attractive employer in the sector.

As usual, good, stable financial results are the tangible proof of the effectiveness of the implemented strategy. In 2013, despite slower economic growth and record-low interest rates, the Bank posted the best results in the whole banking sector – PKO Bank Polski's consolidated net profit amounted to one fifth of the total net profit in the sector. Rational cost policy has enabled the Bank to maintain good cost to income ratio, significantly below the market average. The Bank has also maintained a safe and efficient balance sheet structure where strong deposit base and high equity allow further lending expansion.

To sum up this year's letter, I would like to express my deep satisfaction of being the head of such a mature organization – the organization which is free of inferiority complexes, conscious of its abilities and strengths, ready to share its knowledge and to draw on the expertise of its strategic partners. I am convinced that the tradition of reporting strong results and positive changes will be maintained in the upcoming years.

Zbigniew Jagiełło

Chief Executive Office at PKO Bank Polski

