



Bank Polski

PKO Bank Polski Strategy 2016-2020

“We Support the Growth of Poland
and the Poles”

Warsaw, November 2016

Who We Are - Our Mission



Bank Polski



Bank Polski

“We Support the Growth of Poland and the Poles”

We have been supplying financial solutions to our customers for 100 years now so we understand the needs of the Poles and Polish businesses. We change consistently, invest in development and implement new technologies responsibly in order to enable our customers to manage their finances anywhere they are and any time they wish to. We are proud of our history and our Polish roots.

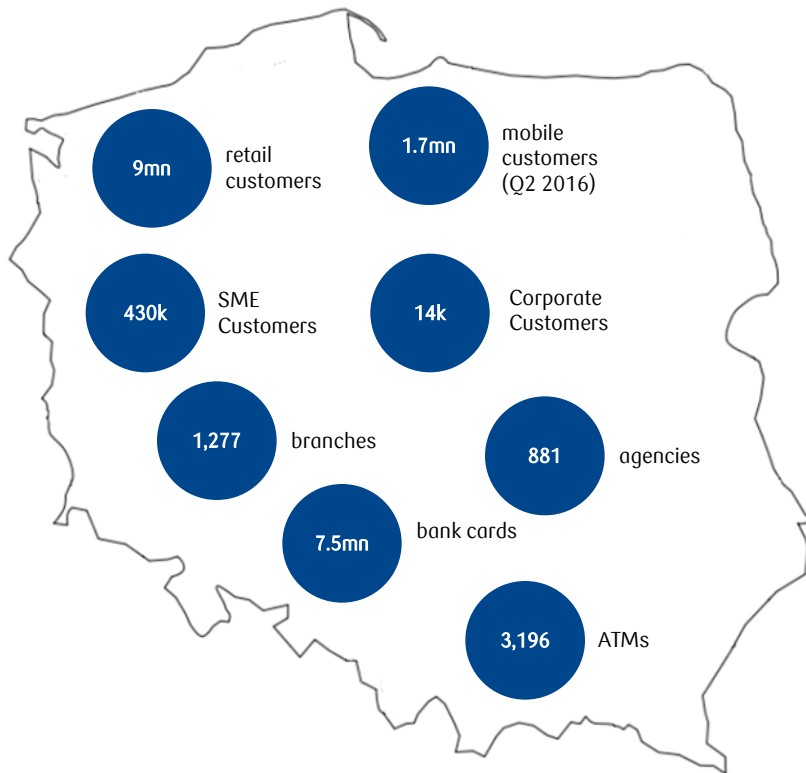
We still want to exert a positive influence on Poland - the people, businesses, culture and the environment. Being one of the biggest banks in Central and Eastern Europe, we take responsible care of the interests of our shareholders, customers, employees and local communities.

We are the leader among the financial institutions in Poland... (2015)

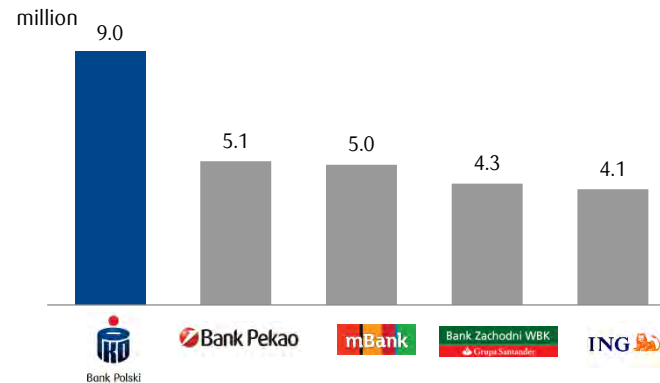


Bank Polski

PKO Bank Polski is the leader of the Polish banking sector...

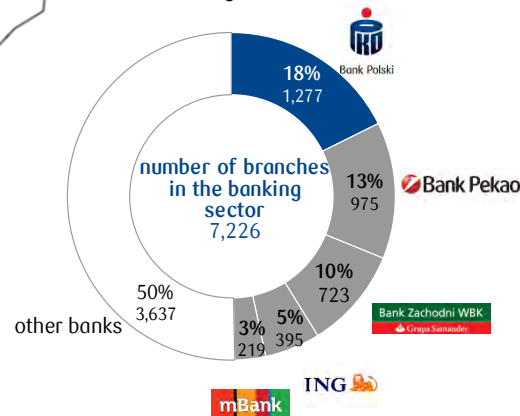


... has the biggest customer base...

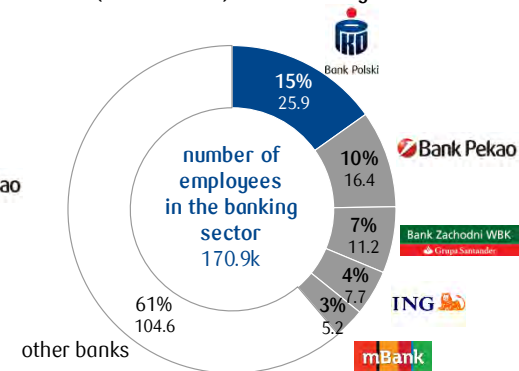


... and the largest distribution network, at the same time being the biggest employer in the banking sector

Structure and number of branches in the banking sector



Structure and number of employees (in thousands) in the banking sector



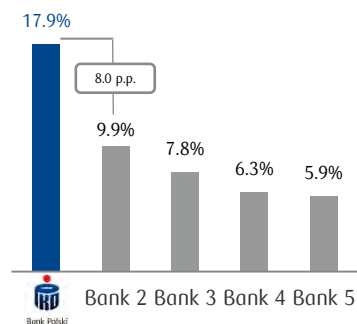
... and we hold significant shares in the key market segments (2015)



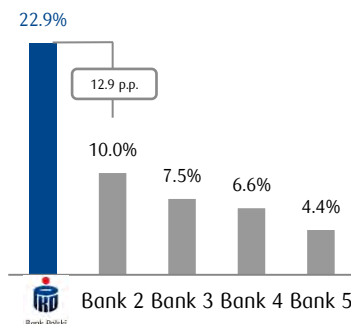
Bank Polski

Loans: market shares - market positions of top 5 banks in terms of total assets

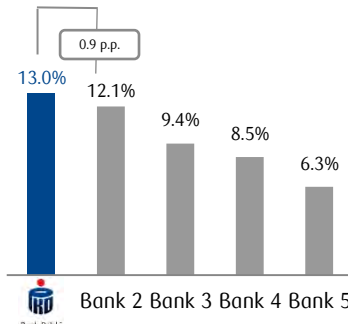
Total



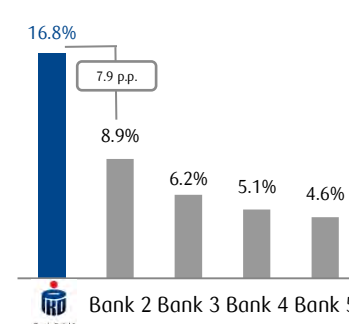
Private individuals



Businesses¹

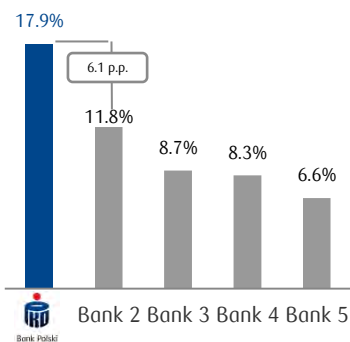


Sole proprietors²

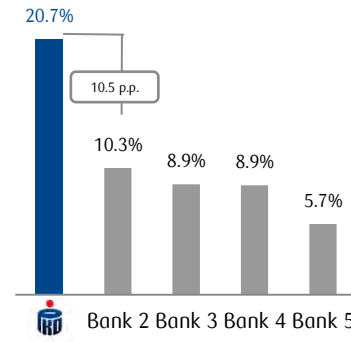


Deposits: market shares - market positions of top 5 banks in terms of total assets

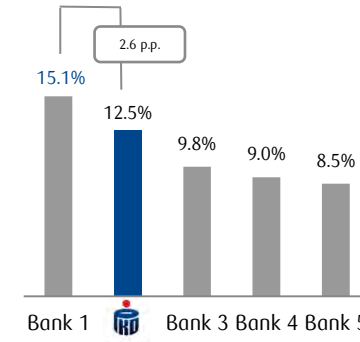
Total



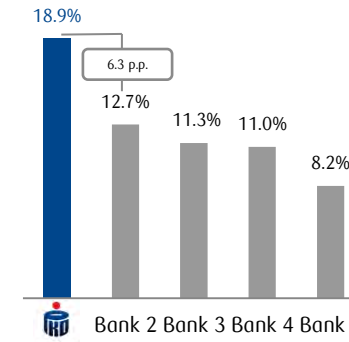
Private individuals



Businesses



Sole proprietors



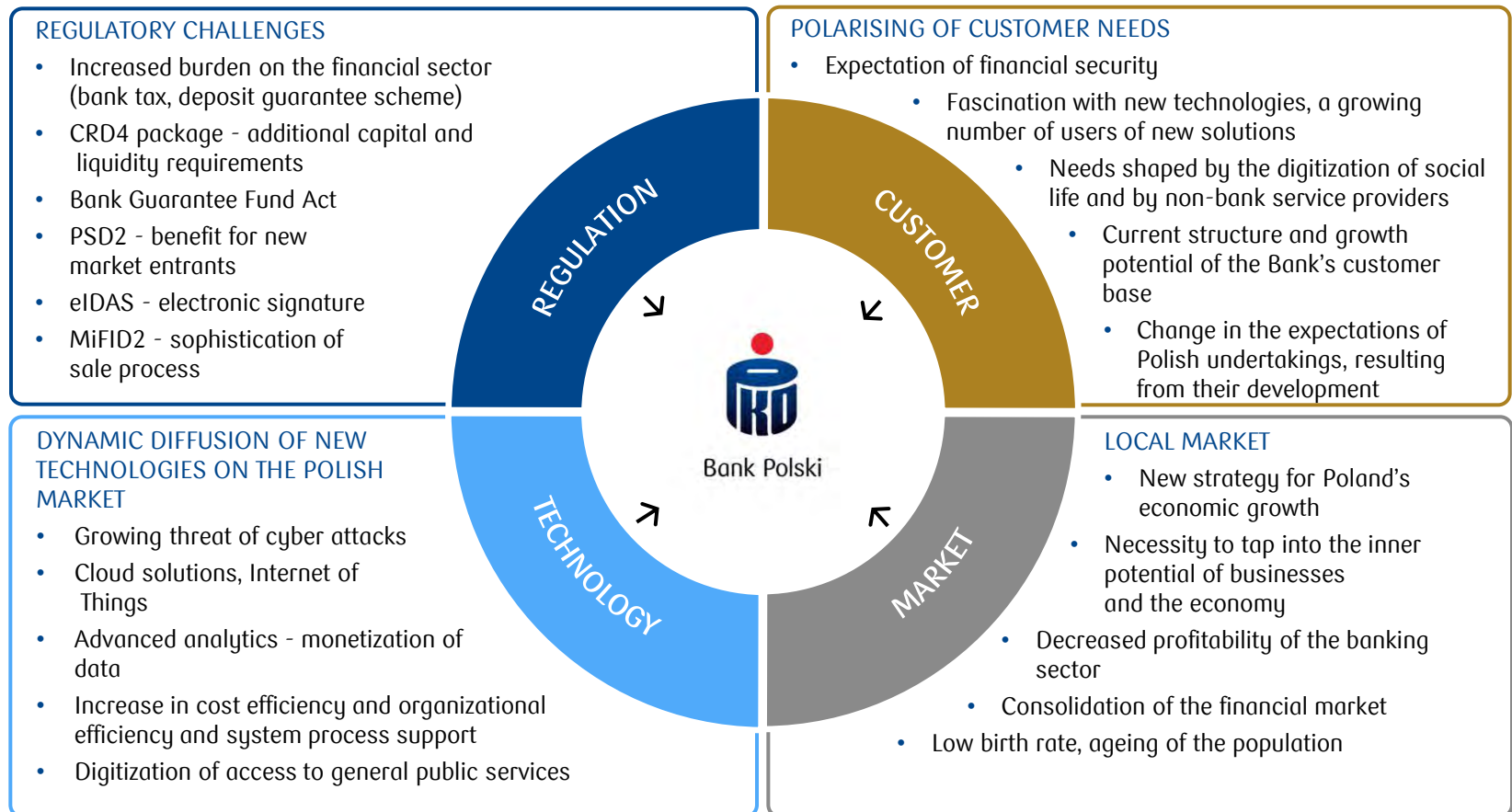
¹ Businesses - undertakings with more than 9 staff; their business consist in manufacturing, trading in goods or provision of financial services

² Sole proprietors - natural persons conducting business, employing up to 9 staff; this category also includes self-employed individuals

The PKO Bank Polski Strategy 2020 is a response to long-term challenges faced by the banking sector



Bank Polski

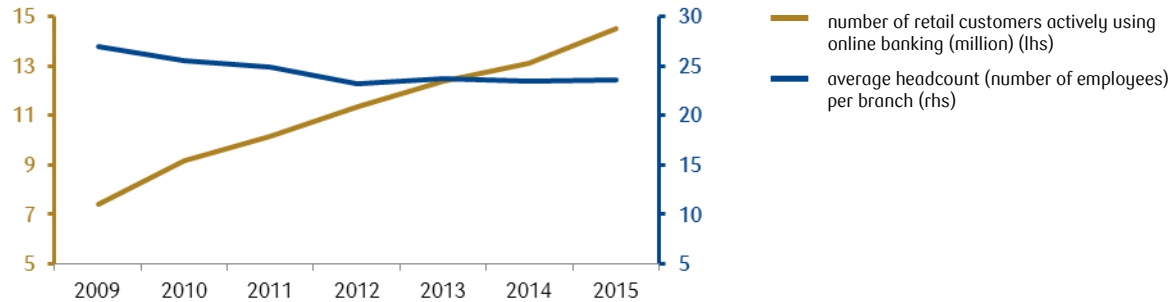


The direction of the transformation of the banks is primarily set by the digitization of social life ...



Bank Polski

The growing number of online banking users force the banks to change their distribution models (Poland)



NOW

2020

nearly 60% of the customers use their savings account mainly via remote channels

28% of the Poles use mobile banking

74% of transactions will be made via online and mobile banking facilities (compared with 54% in 2014)

~50% of the customers from the mass and affluent segments are advanced hybrid users

60% of the customers want investment offerings based on the analysis of their personal data and purchasing decisions

sales leads in the remote channels are to exceed 50%

... which is not just an opportunity, but also generates risks for the banking sector



Bank Polski

OPPORTUNITIES Digitization of banking services



Increased customer satisfaction and positive experiences, reinforcement of relationships with existing customers and attracting new ones



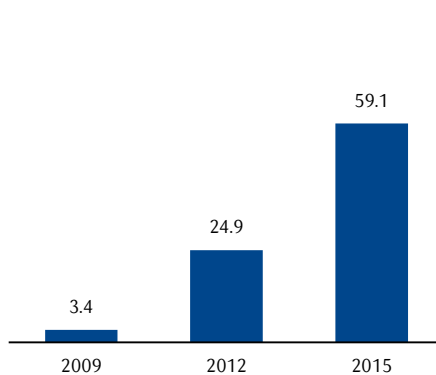
Increase in cost efficiency and organizational efficiency



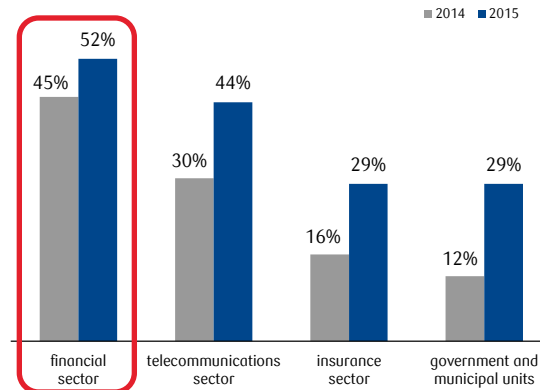
Possibility of using digital tools to monetize data and open oneself to new business models

THREATS Cyber attacks

Growing number of cyber attacks in the world (million)



Growing rating of the emergence of cyber threats in the world¹



¹Share of respondents' answers concerning the likelihood of disturbances in the IT systems operating in cyberspace, caused by unauthorised intrusion from the outside

We address the challenges in our strategic goals...



Bank Polski



CUSTOMER SATISFACTION



INCREASE IN THE NUMBER OF CUSTOMERS USING DIGITAL SOLUTIONS



SIMPLE AND EFFECTIVE “FASTER AND PAPERLESS” PROCESSES



BEST EMPLOYER



INNOVATION AND NEW SOURCES OF INCOME



LEADER IN COOPERATION ON CYBER SECURITY



FINANCIAL GOALS

>10%

ROE

<45%

C/I

75-85 bps

Risk cost

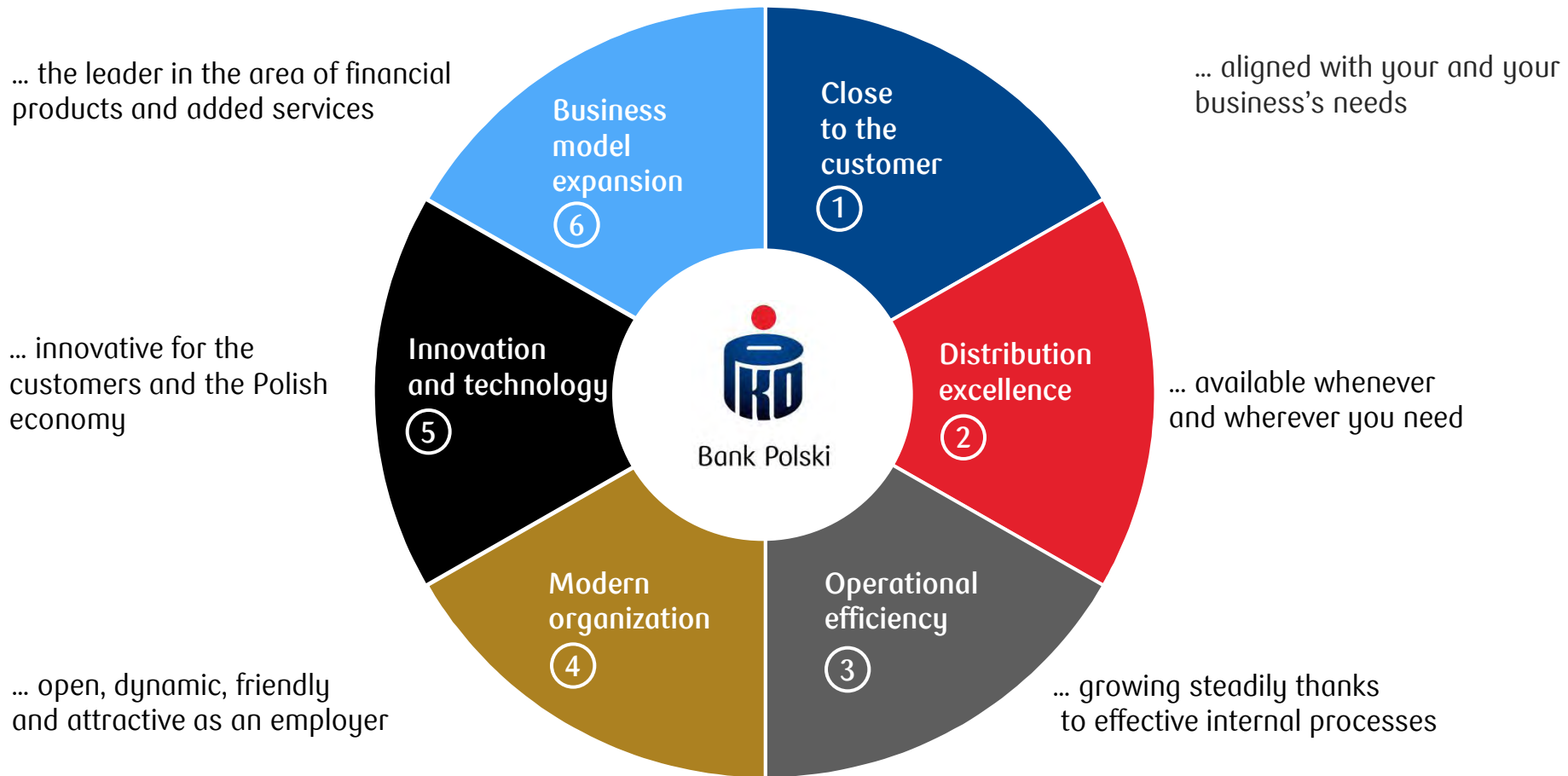
TCR and CET1
permitting to pay out dividend

Equity

Thanks to the strategy based on the levers sustainable growth, in 2020 PKO Bank Polski will be ...



Bank Polski





Aligned with your and your business's needs

Close to the customer



Bank Polski

AREA OF OPERATION



OFFERING TAILORED TO CUSTOMER NEEDS

Simple and transparent product offering based on the knowledge of the customer's behaviour and needs



AVAILABILITY OF ALL CHANNELS

Optimised operation of the branches and improved remote channels, having positive influence on their availability



HIGH QUALITY OF CUSTOMER SERVICE

Fast and smooth service in all channels, professional advisors



INTUITIVENESS OF OFFERED SOLUTIONS

Clear, simple and transparent communication tailored to the customer segment

EXPECTED RESULTS



STRENGTHENING CUSTOMER RELATIONSHIPS

Increased customer commitment to the preferred channels, strengthening the relationship with the Bank



BUILDING POSITIVE CUSTOMER EXPERIENCE

Credibility, simplicity and friendliness in customer contacts, arousing positive emotions in the customers

Customer satisfaction and building lasting relationship driving the Bank's growth. Maximising the CSI ratio and keeping the retention ratio below the market average set as a long-term strategic goal



Available whenever and wherever you need

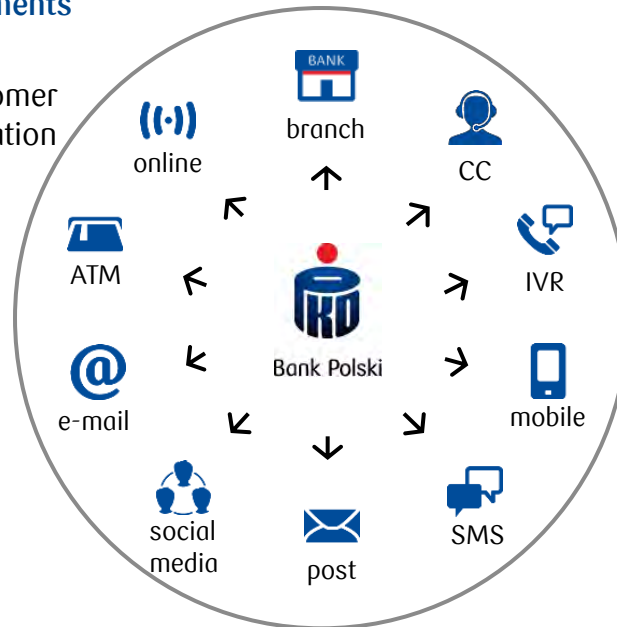
Distribution excellence



Bank Polski

Distribution strategy matching the diagnosed needs of the segments

- Channel development directions matching customer needs, e.g. in the presentation layer and as regards available services
- Ensuring continuous access to key services (24/7)



New generation branches acting as centres of relationships and local activity

- Key role of the branches in building customer relationships and the market position
- New branch format

Development of innovative contact channels

- Development of the on-line and mobile channels, among other things by enriching available functionalities (incl. service) and expanding the range of services available online
- Increasing the scope of use of the social media

Network upgrade and assurance of coherent experiences in the contact channels are a way to achieve customer satisfaction and maximise sales interactions.

Emphasis on increasing customer activity in the digital channels at least to the benchmark level

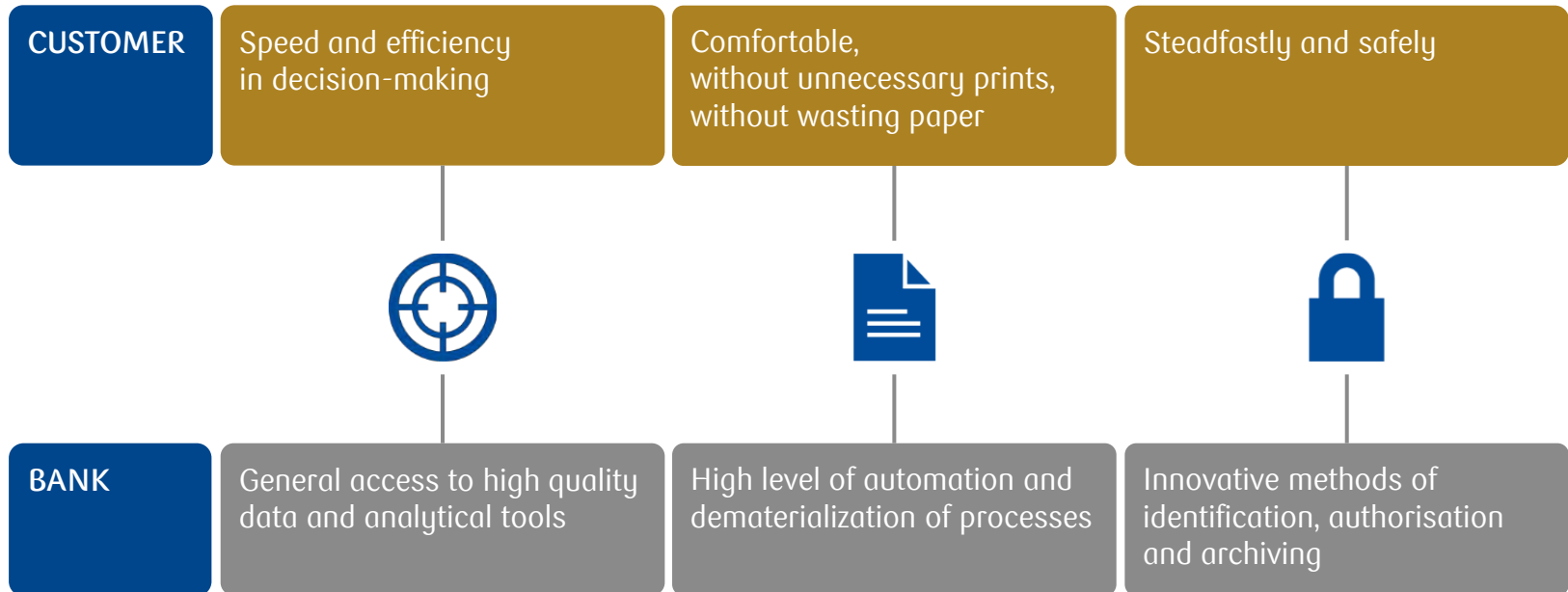


Steadily growing thanks to effective internal processes

Operational efficiency



Bank Polski



Streamlining the processes with a view to increasing the speed and quality of operations as a catalyst for change. Most processes without paper by 2020, counteracting bureaucracy and making the organization organizationally light



Open, dynamic, friendly and attractive as an employer

Modern organization



Bank Polski



Engaging
leadership



Open corporate
culture



Key
competencies



Knowledge
management
and cooperation



New
operating model

Motivated and committed employees are a key to the successful achievement of the strategic goals.
Maximising the employee commitment and satisfaction indices to above the industry average
by continuing to create a friendly, supportive and open work environment



Innovative for the customers and the Polish economy

Innovation and technology



Bank Polski

IT AND BUSINESS
PARTNERSHIP

UNLOCKING THE POTENTIAL OF
THE NEW INVESTMENTS

MARKET-WIDE
INNOVATION



Bank Polski

- Bank as an innovator in finance
- Building the Bank's brand and enhancing the brand awareness in the region and on other markets
- Creation of solutions to be followed by other banks



- Digitization of the state and the society
- Support for the development of Polish innovators (SMEs and Corporates)
- Support for key innovative projects and industries of the future
- Co-development of market standards

New, reliable technologies and cyber security are a necessary element in the fulfilment of the Bank's strategy, enabling it to implement groundbreaking solutions for Poland.

Maximising the level of adoption of innovations and minimising the cyber threat materialization ratio

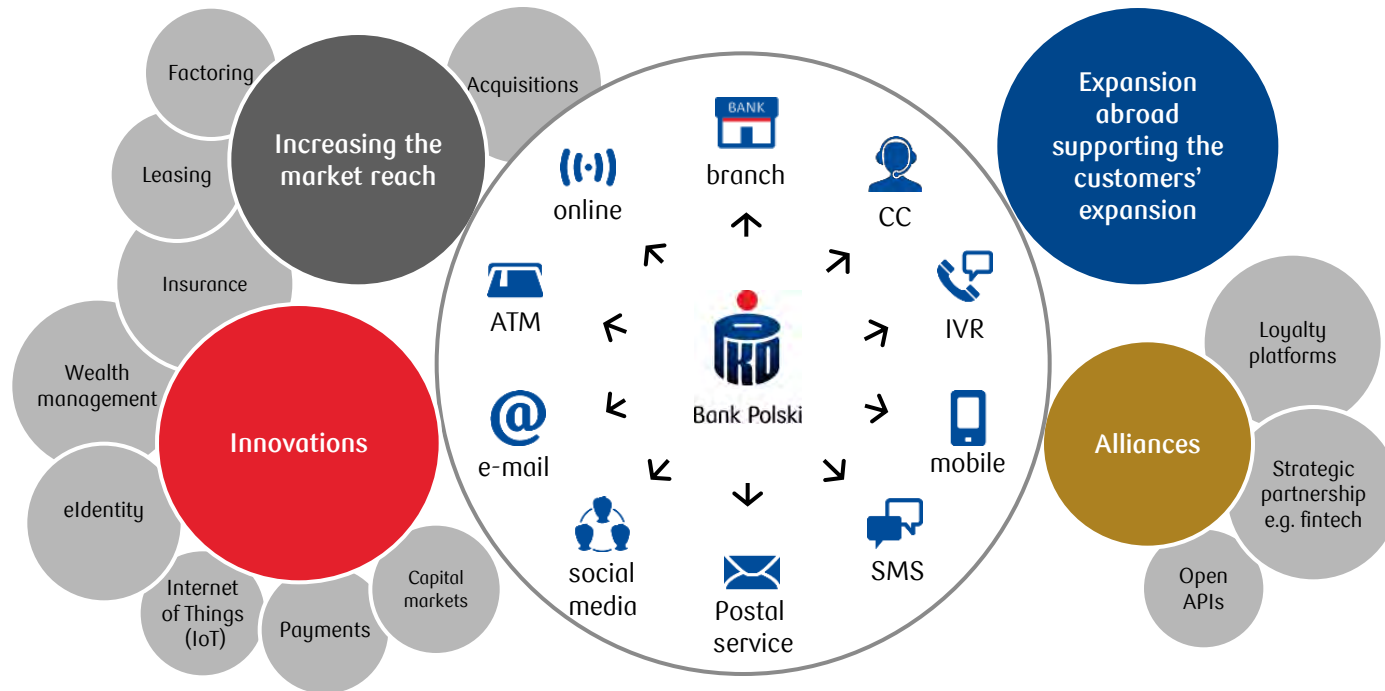


... the leader in the area of financial products and added services

Business model expansion



Bank Polski



Expansion of the range of services as an important tool supporting the achievement of the goals.
 Proactive needs recognition and the offering of matching solutions
 Encouraging the customers to use the new solutions and platforms as a way to fulfil ambitions

Business model expansion (1/4)

Increasing the market reach



Bank Polski

Domestic acquisitions

- Market monitoring
- The potential targets of acquisitions will depend on the situation of the bank owners and their strategies regarding the maintenance of their commitment to Poland
- Lower share prices of the banks due to the low interest rate environment, regulatory changes, the problem of FX mortgages, slower market growth
- Current slow-down in the consolidation trends, but further industry consolidation expected in the long run

Synergies

Strengthening of the position

Complementation of the distribution network

Strengthening of competencies

Corporate Group

- The Bank will provide operational and capital support and distribution
- Realization of synergies within the Corporate Group



TFI



Leasing



Faktoring



Bank Hipoteczny



Ubezpieczenia



PTE



Finat

Development of an integrated model of the Corporate Group, enhancing synergies among the companies and monitoring of the potential for non-organic growth

Business model expansion (2/4)

Expansion abroad supporting the customers' expansion



Bank Polski



Directions set by the needs of customers (Germany, Czechia, other markets of key importance for our customers)

Expansion models dependent on the needs and scale of operations of our customers on a given market:

- Support directed from Poland
- Representative offices
- Foreign branches
- Acquisitions



Reaching No. 1 position in Correspondent Banking

- Expansion of the international clearing infrastructure enabling an effective funds transfer to/from anywhere in the world (observing the applicable restrictions and international treaties)
- Professional service for foreign and domestic banks, including acting as a correspondent bank in international clearing, expansion of the range of currencies



Support for export and expansion by Polish companies

- Development of instruments hedging our customers against risks involved in export and expansion abroad:
 - risk mitigation in international trade
 - market risk mitigation
- Financing our customers' foreign operations based on long-term local relationships with customers and providing export within the framework of the existing governmental projects

Support for Polish undertakings aboard and the development of the foreign banking model

Business model expansion (3/4)

Alliances



Bank Polski

Loyalty platforms

- Creation of loyalty platforms adding value to selected customer segments, e.g. in the form of discounts for daily shopping
- Partnerships with retailers, clothing and fuel companies, postal service providers, etc. interested in the development of their sales channels in cooperation with the Bank

Open APIs

- Deepening and expanding business with Corporate and SME customers
- Cooperation with public institutions such as the Social Security Administration (ZUS) and Tax Office on eState solutions
- Business relations with the suppliers of niche added services

Strategic partnership

- Establishment of business relations with smaller undertakings from the financial, quasi-financial and technology sectors
- Investments in selected fintech undertakings in order to achieve the leading position in technological solutions



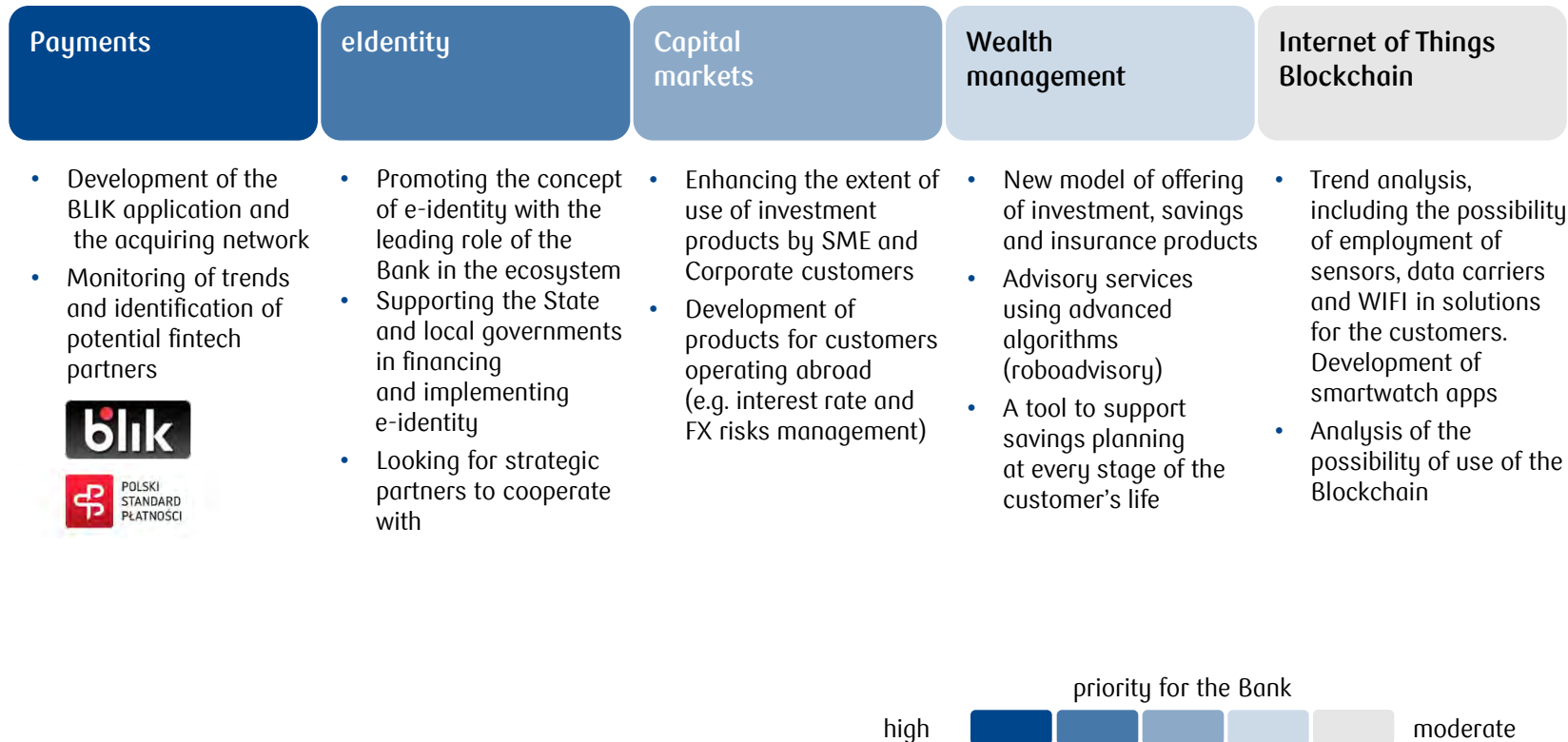
Development of cooperation with strategic partners via loyalty platforms and open APIs

Business model expansion (4/4)

Innovations



Bank Polski



Commitment to new ideas and areas with future potential creates growth opportunities

Customer needs and expectations to drive the strategy implementation



Bank Polski

FOR YOU AND YOUR FAMILY



Value proposition for Retail Customer

- Tailor-made products and services
- Modern branches to act as the foundation of the omnichannel model
- Intuitive digital channels
- Added services facilitating everyday life
- Clear and short “no asterisk” documents
- High quality of customer service
- Innovative solutions

WE ARE DEVELOPING YOUR BUSINESS TOGETHER



Value proposition for SME customers

- Easy access to funding
- Added services facilitating everyday work
- Tailoring the offering to the specifics of a company
- Full access to products in every channel
- Support by specialised advisors
- Building of customer community

WE SUPPORT BUSINESSES AND THE POLISH ECONOMY



Value proposition for Corporate Customer

- Best product offering, fully integrated and aligned with the specific needs of the customer
- Development of added services facilitating company management
- Growth of business on the financial and capital markets
- Document digitization and paperless service
- Support of the operations of Polish companies in Poland and abroad - funding for Polish projects and future industries

We ensure a stable dividend policy and sustainable growth of Total Shareholder Return (TSR)



Bank Polski

		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
After-tax profit for year	PLN million	1,677	1,677	2,720	2,881	2,432	3,311	3,954	3,593	3,234	3,079	2,571
Distributable after-tax profit for previous year ¹	PLN million	1,511	1,677	1,677	2,720	2,881	2,432	3,311	3,954	3,681	2,963	3,212
Dividend	PLN million	1,000	800	980	1,090	1,000	2,375	2,475	1,588	2,250	938	0
Dividend payout rate	%	66	48	48	40	35	98	75	40	61	32	0
Dividend per share	PLN	1.00	0.80	0.98	1.09	1.00	1.90	1.98	1.27	1.80	0.75	0.00
Dividend yield as at D day	%	3.6	2.1	1.7	2.2	2.9	4.2	5.5	3.6	4.9	1.9	0.0
Total number of shares	million	1,000	1,000	1,000	1,000	1,000	1,250	1,250	1,250	1,250	1,250	1,250
Share price	PLN, eop	29.00	47.00	52.60	35.50	38.00	43.35	32.12	36.90	39.42	35.76	27.33
Total Shareholder Return (TSR) since IPO	%	22	99	126	61	75	105	67	92	109	97	63

¹ previous year's after-tax profit distributed by the Annual General Meeting that year (in 2013-2015 adjusted by retained earnings)

Dividend Policy

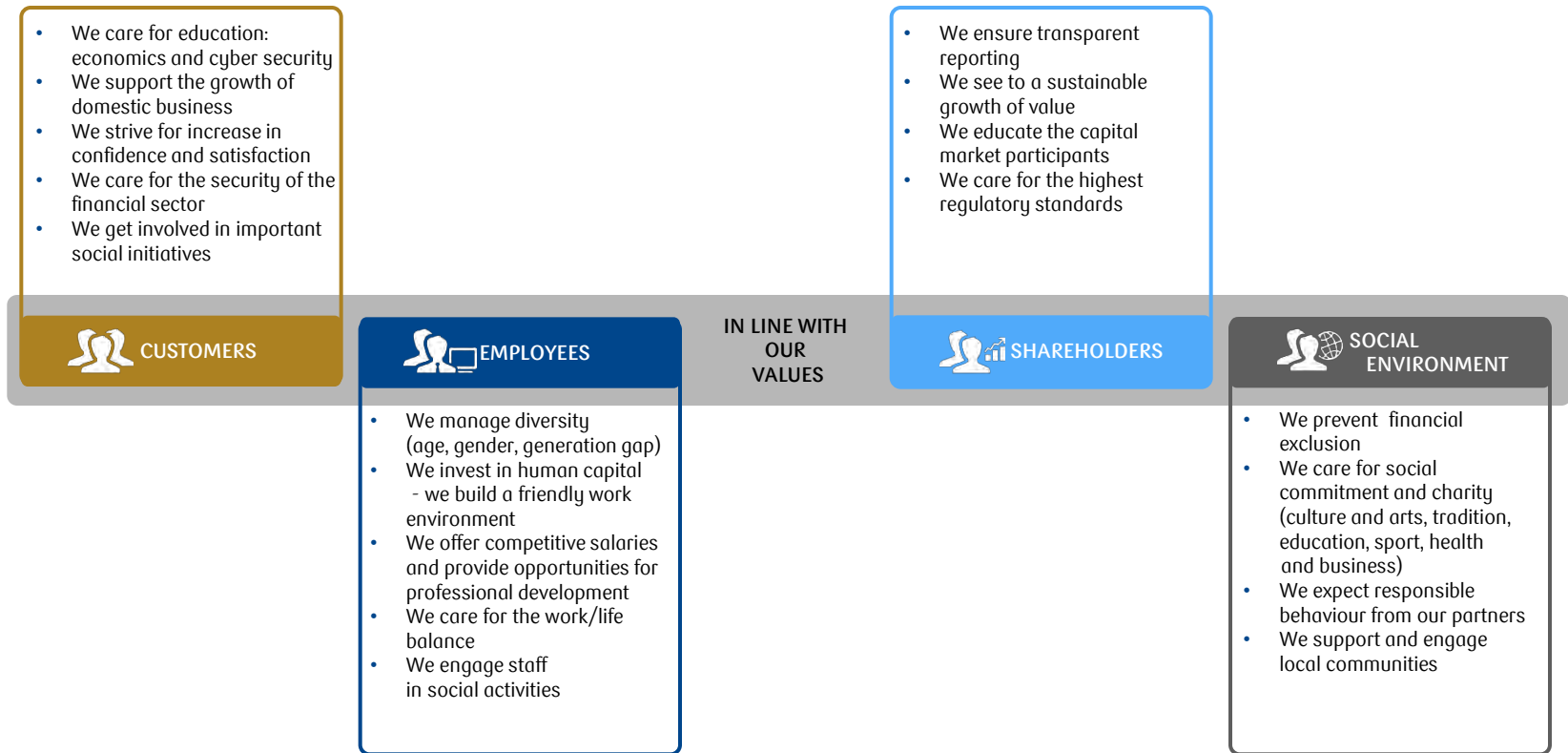
Steady dividend payouts in the long term, observing the principle of prudent management of the Bank and its Corporate Group - the surplus over the minimum capital adequacy ratio and the leverage ratio, taking into account additional capital security.

Optimisation of the structure of the Bank and Corporate Group's equity taking into account the return on equity and the cost of equity, capital requirements related to the development, while at the same time ensuring the proper level of the capital adequacy ratios.

We combine care for the growth of Total Shareholder Return with social commitment



Bank Polski



We support sustainable growth. In our day-to-day operations, we combine business objectives with activities for the benefit of all of our stakeholder groups.

Our values and transparent communication form the key foundation for the building of dialogue

Disclaimer



Bank Polski

This presentation (the "Presentation") has been prepared by Powszechna Kasa Oszczędności Bank Polski S.A. ("PKO BP S.A.", "Bank") solely for use by its clients and shareholders or analysts and should not be treated as a part of any an invitation or offer to sell any securities, invest or deal in or a solicitation of an offer to purchase any securities or recommendation to conclude any transaction, in particular with respect to securities of PKO BP S.A. The information contained in this Presentation is derived from publicly available sources which Bank believes are reliable, but PKO BP SA does not make any representation as to its accuracy or completeness. PKO BP SA shall not be liable for the consequences of any decision made based on information included in this Presentation.

The information contained in this Presentation has not been independently verified and is, in any case, subject to changes and modifications. PKO BP SA's disclosure of the data included in this Presentation is not a breach of law for listed companies, in particular for companies listed on the Warsaw Stock Exchange. The information provided herein was included in current or periodic reports published by PKO BP SA or is additional information that is not required to be reported by Bank as a public company.

In no event may the content of this Presentation be construed as any type of explicit or implicit representation or warranty made by PKO BP SA or, its representatives. Likewise, neither PKO BP SA nor any of its representatives shall be liable in any respect whatsoever (whether in negligence or otherwise) for any loss or damage that may arise from the use of this Presentation or of any information contained herein or otherwise arising in connection with this Presentation.

PKO BP SA does not undertake to publish any updates, modifications or revisions of the information, data or statements contained herein should there be any change in the strategy or intentions of PKO BP SA, or should facts or events occur that affect PKO BP SA's strategy or intentions, unless such reporting obligations arises under the applicable laws and regulations.

This Presentation contains certain market information relating to the banking sector in Poland, including information on the market share of certain banks and PKO BP SA. Unless attributed exclusively to another source, such market information has been calculated based on data provided by third party sources identified herein and includes estimates, assessments, adjustments and judgments that are based on PKO BP SA's experience and familiarity with the sector in which PKO BP SA operates. Because such market information has been prepared in part based upon estimates, assessments, adjustments and judgments and not verified by an independent third party, such market information is, unless otherwise attributed to a third party source, to a certain degree subjective. While it is believed that such estimates, assessments, adjustments and judgments are reasonable and that the market information prepared is appropriately reflective of the sector and the markets in which PKO BP SA operates, there is no assurance that such estimates, assessments and judgments are the most appropriate for making determinations relating to market information or that market information prepared by other sources will not differ materially from the market information included herein.

PKO BP SA hereby informs persons viewing this Presentation that the only source of reliable data describing PKO BP SA's financial results, forecasts, events or indexes are current or periodic reports submitted by PKO BP SA in satisfaction of its disclosure obligation under Polish law.

This Presentation is not for release, directly or indirectly, in or into the United States of America, Australia, Canada or Japan.