



Bank Polski

# Financial Results of PKO Bank Polski SA Group for 3Q 2013

*„PKO Bank Polski. The Best Every Day”*

Warsaw, 14 November 2013



Bank Polski

1. Executive summary	3
2. Financial results	14
3. Risk management	27
4. Business activity	32
5. Appendix	40



- **Stabilization of net interest income and growth of assets to the level above PLN 200 bn**
  - ⇒ Stabilization of net interest income (+0.3% q/q) mainly on decrease in interest expense thanks to adaptation of price offer of deposit products and the change of structure in favour of current deposits
  - ⇒ Net interest margin at 3.8% down by 0.2 pp q/q
  - ⇒ Growth of assets to PLN 202 bn (+4.3% y/y) on the back of growth in net loans (+5.1% y/y) financed by growing customer deposits (+3.7% y/y)
- **Cost discipline and improved cost of risk**
  - ⇒ Administrative expenses down by 0.9% q/q (-1.1 y/y)
  - ⇒ Cost of risk improved by 15 bp. y/y on net impairment allowances (down by 23.0% y/y) and NPLs (down by 0.3 pp. y/y, -0.5 pp. q/q)
- **High operating efficiency maintained**
  - ⇒ Cost to income ratio (C/I) at 44.1%
  - ⇒ ROE at 13.0%
  - ⇒ ROA at 1.6%
- **Strong liquidity and capital position**
  - ⇒ Loans to stable sources of funding ratio at 91%
  - ⇒ CAR at 13.8% (Core Tier 1: 12.8%)
- **Increasing competitiveness of the Bank and eService through an alliance with an innovative and dynamic strategic partner**
  - ⇒ On 7 November 2013 conclusion of an agreement on strategic cooperation for a period of 20 years in the area of payment processing and acquiring
  - ⇒ Sale of 66% stake in eService by PKO Bank Polski to EVO Payments International
  - ⇒ Planned closing term - end of 2013, beginning of 2014

# Strategic partnership with EVO Payments International in payment processing and acquiring



Bank Polski

## Transaction

- Conclusion of an agreement on strategic cooperation for a period of 20 years in the area payment processing and acquiring
- Sale of 66% stake in eService by PKO Bank Polski to EVO Payments International
- Cooperation with customers will be based on tripartite agreements; PKO BP to remain a settlement agent

## Price

- The total price for a 66% stake in eService is c. PLN 418 million (at the exchange rate PLN / USD of 3.10); the final price will depend on the amount of cash in the Company at the time of closing. PKO Bank Polski acquired a 100% stake in eService for PLN 57 million, resulting with an estimated gross profit from the current transaction of c. PLN 377 million
- PKO BP will also receive an advance dividend from 2013 profit amounting to PLN 17 million
- Implied EV/LTM multiple on normalized EBITDA of c. 9.2 x, P/E of c. 14.5 x

## Earn-out

- PKO Bank Polski will have the right to participate in the additional upside based on eService's financial performance between 1<sup>st</sup> July 2014 and 30<sup>th</sup> September 2015

## Put option

- PKO Bank Polski is entitled to a put option over its remaining 34% stake in eService
- Put option on 14% stake in eService is exercisable between 4<sup>th</sup> and 10<sup>th</sup> anniversary of the transaction with put option on the remaining 20% being exercisable between 6<sup>th</sup> and 10<sup>th</sup> anniversary of the transaction
- PKO Bank Polski has the right, but not obligation, to sell its remaining interest in eService during the above period and the price will be determined at the time of exercising the option based on an independent valuation prepared by a reputable consultant

## Strategy

- The parties intend to further dynamically develop eService's position as a market leader in Poland, and to expand it into foreign markets, in particular Central and Eastern Europe
- Processing activity will be performed in Poland by eService; the Company is expected to become a leading center for payment processing in Europe
- eService's corporate governance will allow the partners to make jointly all strategic decisions on the development of the Company and on the business model



## Polish anti-trust watchdog clears acquisition of Nordea's Polish assets

Work is under way to integrate Nordea's Polish assets into the PKO Bank Polski Group, as part of the Bank's first acquisition project of this size to-date. The integration process is being handled by a task force comprising teams from both the PKO Bank Polski Group and the target companies. The project will be implemented in three phases: transaction closing, legal merger, and operational merger. The acquisition was unconditionally cleared by UOKiK, Poland's anti-trust watchdog.



## eService No. 1 on the market

eService's share in the Polish card transactions market has grown to over 30% in terms of both the number and value of transactions handled, making the company the market leader among merchant acquirers in Poland. In doing so, PKO Bank Polski has also met its objectives for eService, as set out in the Bank's strategy; also eService advanced in the Nielsen rankings of Europe's largest merchant acquirers from 37th in 2011 to 28th now. Currently, the eService network comprises over 80,000 card terminals, nearly 60,000 of which also support IKO mobile payments.



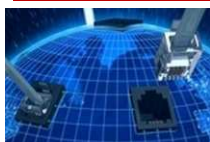
## Current accounts can now be opened with fund transfers

A new exciting option for opening a current account with PKO BP – by transferring funds from an existing bank account – is now on offer. Currently, the service is available only at selected branches, and an account can be opened by making a fund transfer from a bank where the client already holds an account. Account creation by fund transfer is initiated immediately upon receipt of an online application. The client receives their account agreement online once the funds have been credited to the new account and the required verification process has been completed.



## Portmonetka IKO – IKO mobile payments for all

PKO Bank Polski further expanded its mobile services by launching Portmonetka IKO, a special version of its smartphone payment app designed for non-clients. Portmonetka IKO users are given free access to a network of 3,000 PKO Bank Polski ATMs, as well as IKO payment points that span 60,000 eService terminals and several thousand e-stores.



## PKO Bank Polski's service quality appreciated by Internet users

In the Internet Ranking of Banking Service Quality 2013, which takes into account the opinions of Internet users and the banks' activities on their public Facebook profiles, PKO Bank Polski has emerged as the undisputed winner. The Bank was also found to be the most popular bank with Polish internet users, according to the 'Banks on the Internet' report.



## New Employee Pension Plan

PKO Bank Polski unveiled its new Employee Pension Plan. Designed to help the Bank's employees save for their future pension pot, and to better invest accumulated funds, the Plan accommodates contributions funded by the Bank itself, as well as employees' own contributions. Based on investment funds managed by PKO TFI, its long-term horizon will help participants to achieve tangible returns.



## Basic financial data

	3Q'13	3Q'12	Change y/y	Q3'13	Q2'13	Change q/q	
P&L items (PLN mn)	Net interest income	4 844	6 020	-19.5%	1 578	1 572	+0.3%
	Net F&C income	2 351	2 264	+3.8%	808	772	+4.7%
	Result on business activity	7 527	8 716	-13.6%	2 528	2 478	+2.0%
	Administrative expenses	-3 341	-3 378	-1.1%	-1 116	-1 106	+0.9%
	Net impairment allowance	-1 355	-1 759	-23.0%	-488	-419	+16.4%
	Net profit	2 289	2 874	-20.4%	754	753	+0.2%
Balance sheet (PLN bn)	Assets	201.6	193.2	+4.3%	201.6	198.2	+1.7%
	Net loans	150.0	142.7	+5.1%	150.0	149.1	+0.6%
	Deposits	150.9	145.4	+3.7%	150.9	149.2	+1.1%
	Stable financial resources	165.7	161.8	+2.4%	165.7	164.1	+1.0%
	Total equity	24.5	23.8	+2.9%	24.5	23.7	+3.3%

## Basic ratios



Bank Polski

	3Q'13	3Q'12	Change y/y	Q3'13	Q2'13	Change q/q	
Basic financial indicators	ROE net (%)	13.0	16.6	-3.6 pp.	13.0	13.8	-0.8 pp.
	ROA net (%)	1.6	2.0	-0.4 pp.	1.6	1.7	-0.1 pp.
	C/I <sup>1)</sup> (%)	44.1	39.0	+5.1 pp.	44.1	42.7	+1.5 pp.
	NIM <sup>2)</sup> (%)	3.8	4.7	-0.9 pp.	3.8	4.0	-0.3 pp.
Quality of loan portfolio	NPL ratio <sup>3)</sup> (%)	8.6	8.9	-0.3 pp.	8.6	9.1	-0.5 pp.
	Coverage ratio <sup>4)</sup> (%)	51.3	49.0	+2.3 pp.	51.3	51.1	+0.2 pp.
	Cost of risk (bp.)	129	144	-15	129	135	-6
Capital position	CAR (%)	13.8	12.9	+1.0 pp.	13.8	13.5	+0.3 pp.
	Core Tier 1 (%)	12.8	11.9	+0.9 pp.	12.8	12.5	+0.3 pp.

(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)

(3) Share of loans with recognized impairment in total gross loans

(4) Coverage of loans with recognized impairment by impairment allowances

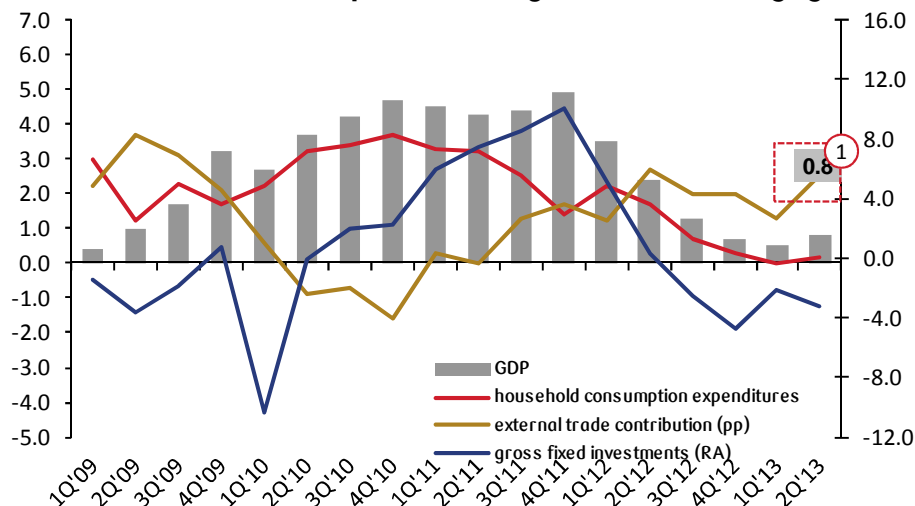
# Macroeconomic environment

The economy has entered the recovery phase

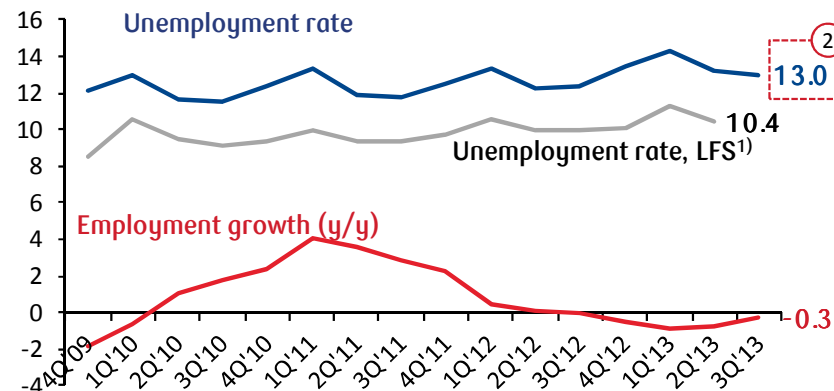


Bank Polski

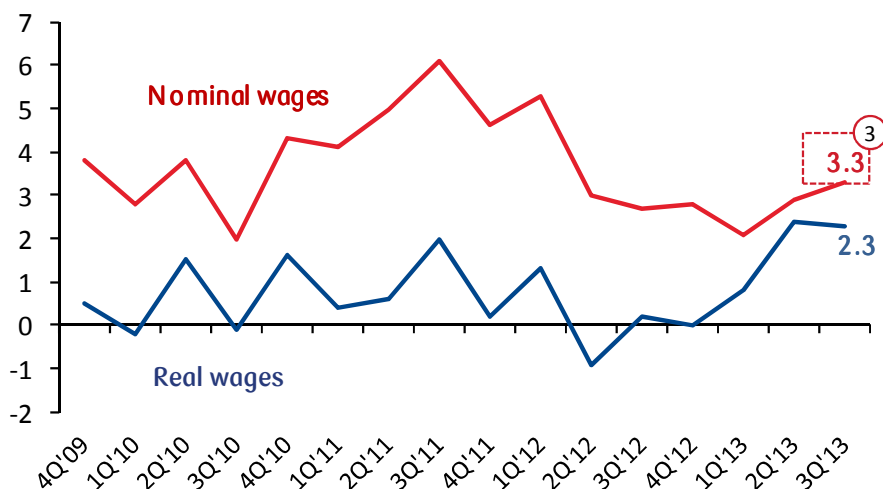
### GDP and decomposition of growth rate (% y/y)



### Labour market (%)



### Wages growth in enterprises (% y/y)



- 1 After a modest growth of 0.8% yoy in 2q 2013, the economy has entered the phase of a gradual, but sustainable, recovery path. Although the recovery is uneven (e.g. the still weak investment demand), there is an increasing evidence of improving economic activity; eg, recovery in industrial output and retail sales, rebound in consumer credit, stabilization on the labour market and early signs of a recovery on the housing market. GDP likely accelerated to around 2% yoy in 3q 2013.
- 2 The seasonal decline in the unemployment in 3q, was accompanied by a deceleration in the unemployment growth trend (+0.6pp yoy vs. +0.9pp yoy in 2q) – consistent with acceleration of GDP growth closer to potential pace (2.5-3%).
- 3 Modest increase in nominal wage growth, combined with stable real wage growth create conditions conducive to a rebound in private consumption.

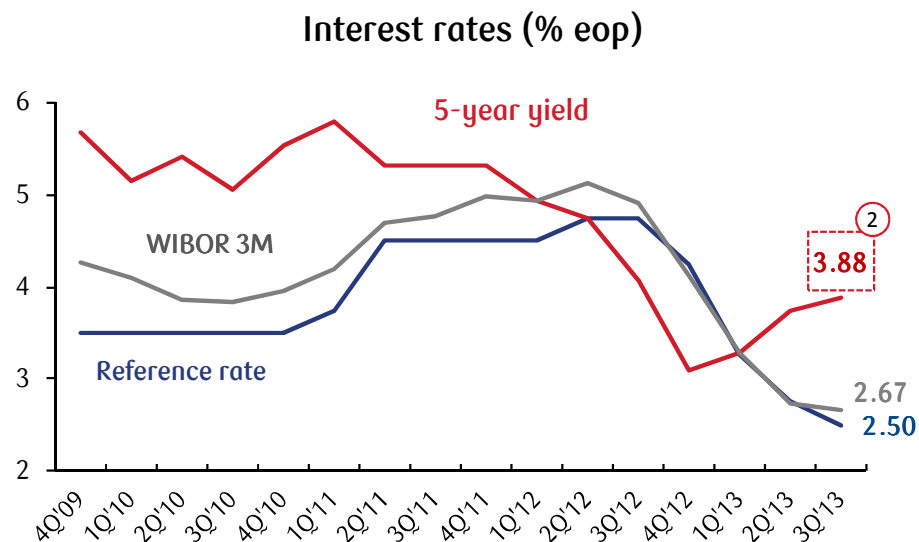
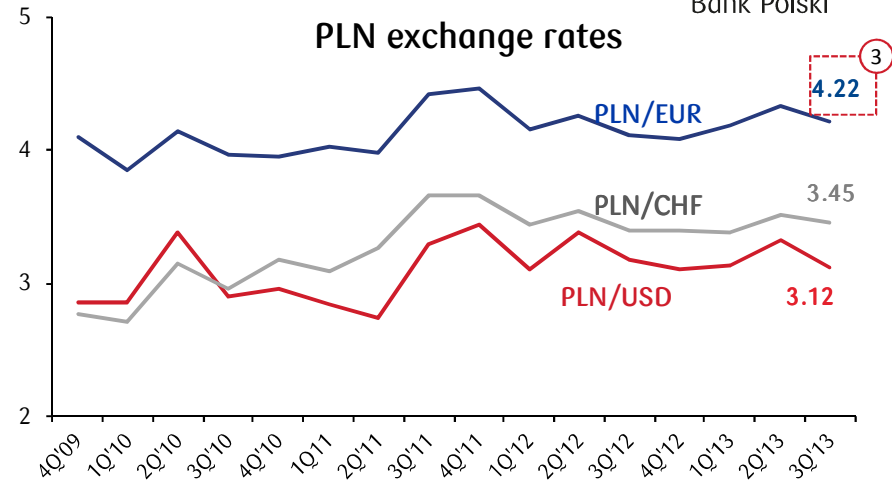
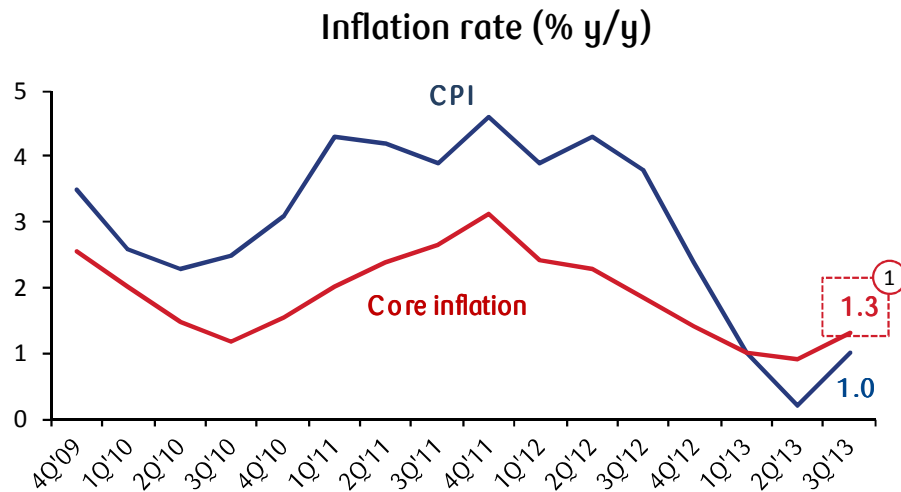
(1) Percentage share of the number of unemployed population in the number of economically active population (i.e. employed and unemployed persons) – according to EU methodology.

# Macroeconomic environment

## Inflation trend reversal, stronger PLN, neutral monetary policy



Bank Polski



1 After a sharp decline in CPI inflation to 0.2% y/y in end-2q 2013, CPI accelerated to c.1%yoy in 3q 2013. During the third quarter CPI inflation has been fairly stable in 1.0-1.1% y/y range, while core inflation stayed between 1.3-1.4% y/y. We inflation to grind higher in the coming quarters - to around 1.5% in 4q 2013, 2% in 1q 2014 and 2.5% in 2q 2014.

2 The MPC cut interest rates by 25bps in July, ending the monetary easing cycle with the reference rate at 2.50%. Gradual GDP recovery and CPI inflation remaining below the NBP target (1.5-3.5%) make a swift monetary policy reversal (ie, tightening) rather unlikely. We expect interest rates to remain unchanged until 4q2014, when the tightening cycle is most likely to begin.

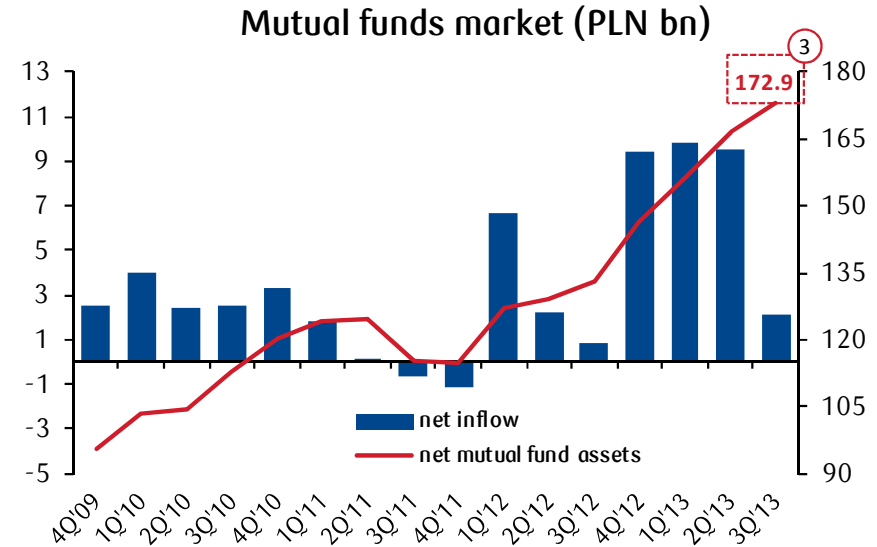
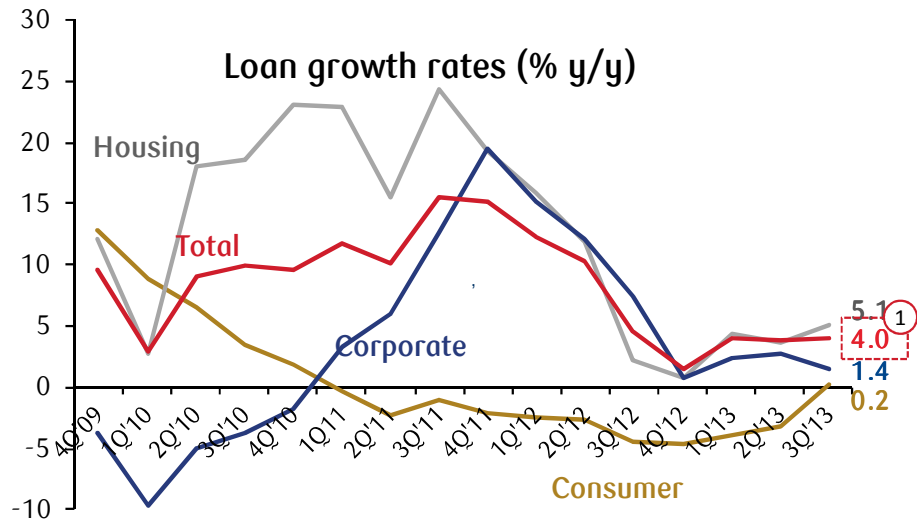
3 The mix of domestic recovery and the FED decision *not to taper* its QE programme in September resulted in a modest PLN appreciation against the major currencies - especially vs. USD.

# Deposits/credit and financial market

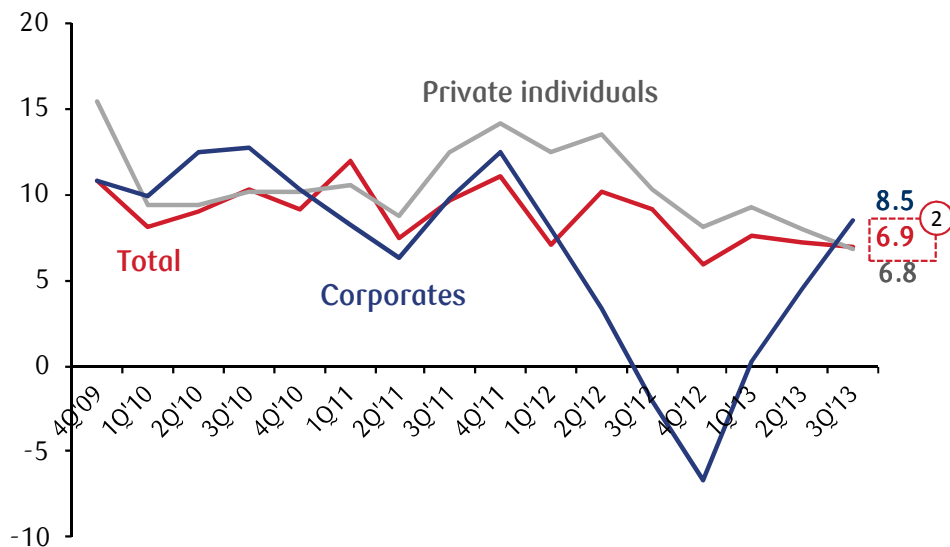


Bank Polski

## Solid deposits growth, moderate loans dynamics



## Deposit growth rates (% y/y)



- 1 Stabilization in loans growth (4.0%yoy), with higher mortgages dynamics and slower corporate loans dynamics, accompanied by a modest rebound in consumer credit.
- 2 The slight decline in total deposits growth (6.9% y/y) due to slower household deposits growth, with faster corporate deposits growth. As a result of faster deposits growth and slower credit dynamics, the Loan-to-Deposit (LTD) ratio declined to 106%.
- 3 Inflows into mutual funds continued in 3q2013, driven by a rise in real disposable income, low deposits interest rates and rising stock prices.

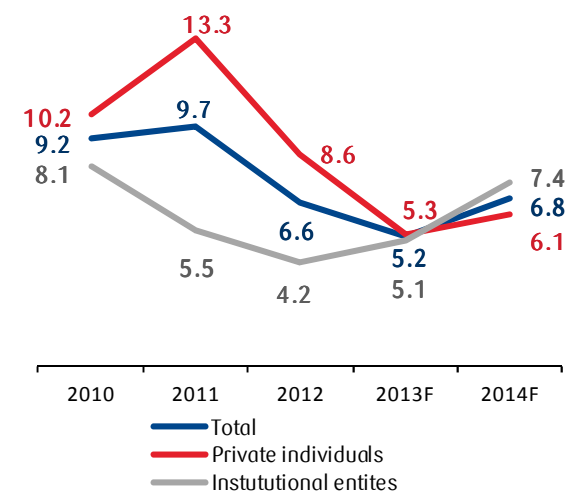
# 2013-2014 macroeconomic and banking sector outlook



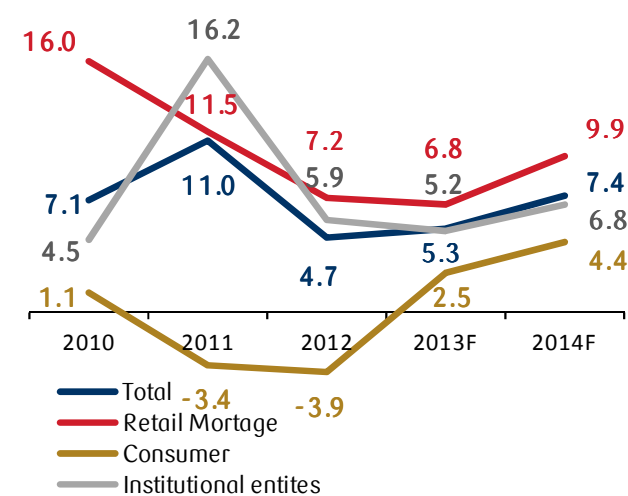
Bank Polski

		2012	2013F	2014F
GDP	% y/y	1.9	1.3	2.8
Consumption	% y/y	1.2	0.5	1.9
Investments	% y/y	-1.7	-2.6	5.5
Public sector deficit <sup>1)</sup>	% GDP	-3.9	-4.5	5.0
Public debt <sup>2)</sup>	% GDP	52.7	54.8	48.1
CPI	%	3.7	1.0	2.2
Unemployment rate	% eop	13.4	13.8	13.6
WIBOR 3M	% eop	4.11	2.70	3.20
Reference rate	% eop	4.25	2.50	3.00
PLN/EUR exchange rate	PLN eop	4.09	4.15	4.05
PLN/USD exchange rate	PLN eop	3.10	3.07	2.96

Deposits - FX adjusted growth rate (%)



Loans- FX adjusted growth rate (%)



- 1) According to methodology ESA95, with one-off capital transfer due to pension funds asset transfer; without the transfer public sector deficit in 2014 remains close to 2013 -4.5% GDP
- 2) According to domestic methodology.

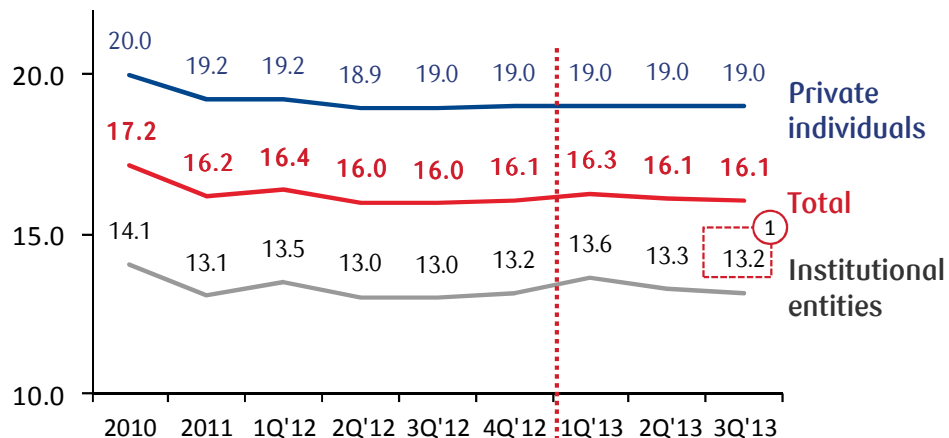
Source: Bank's forecasts



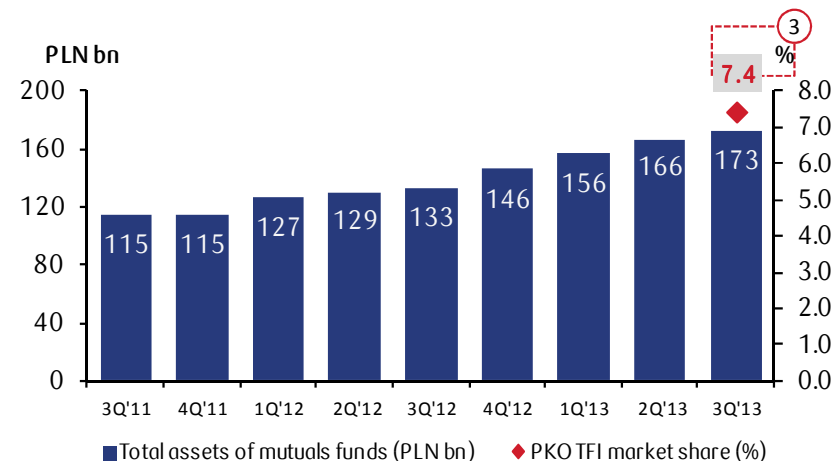
Bank Polski

# Market share

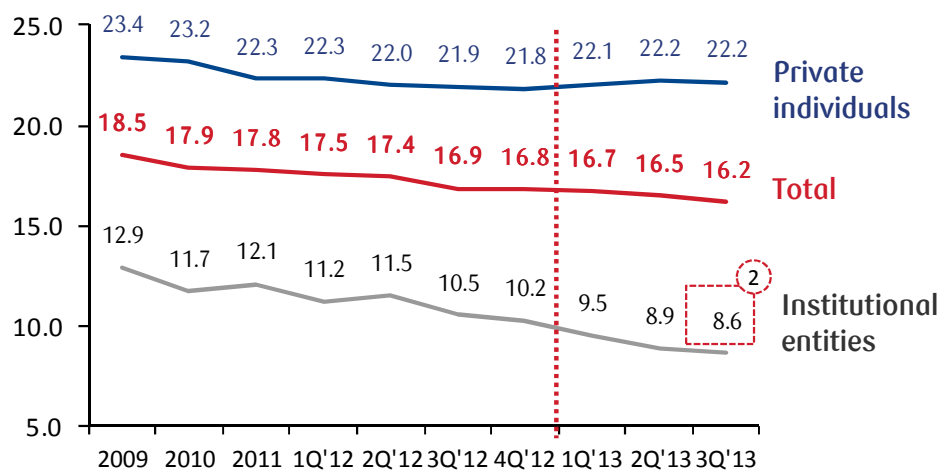
### Loans market share (%)



### Mutual funds market share



### Deposits market share (%)



- 1 Growth of market share by 0.2 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 maintained the 3<sup>rd</sup> market position



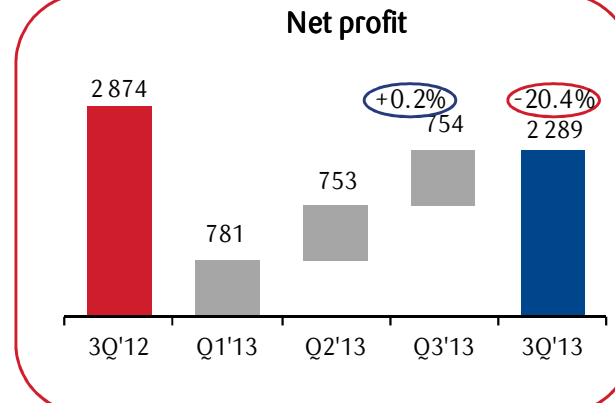
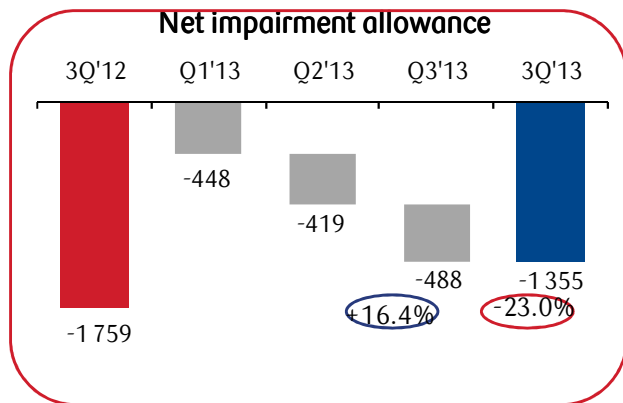
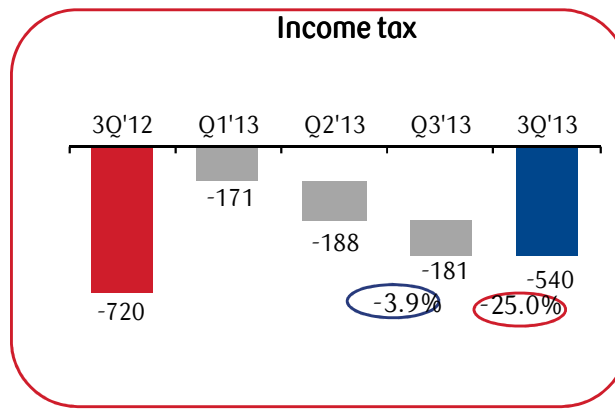
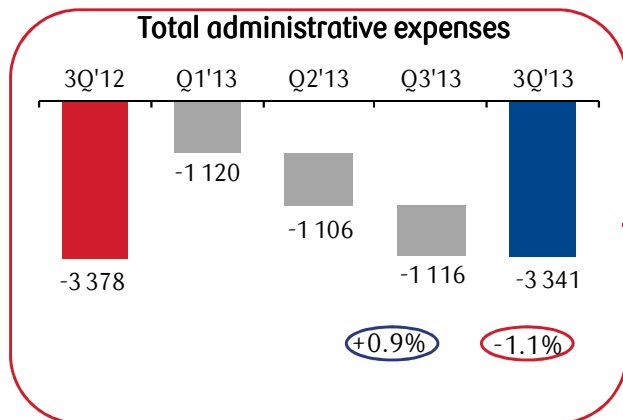
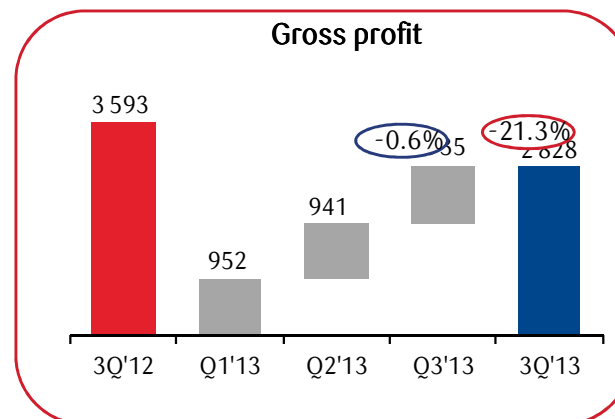
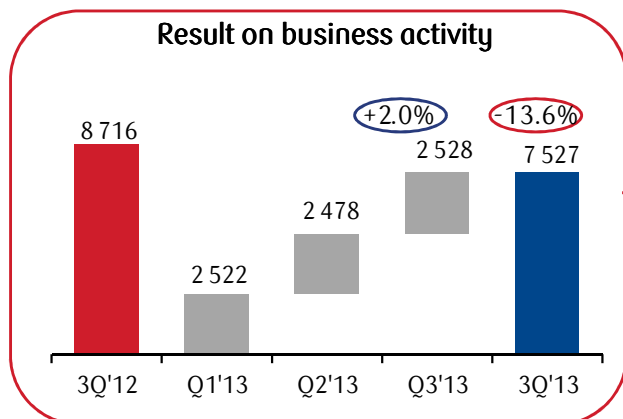
Bank Polski

1. Executive summary	3
2. Financial results	14
3. Risk management	27
4. Business activity	32
5. Appendix	40



Bank Polski

# Profit and loss account



% Change y/y

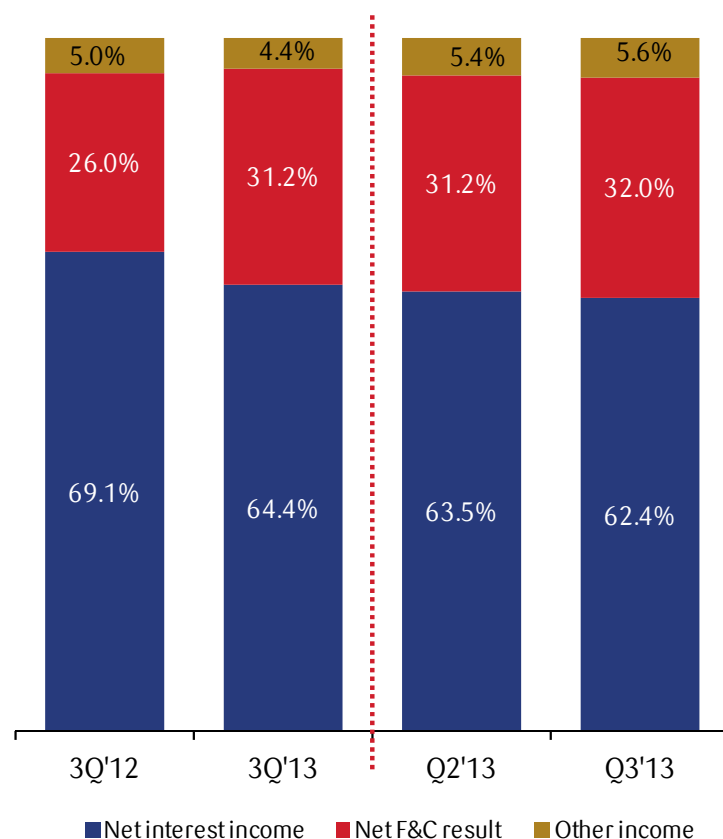
% Change q/q

# High quality of result on business activity as compared to competitors



Bank Polski

### Split of result on business activity

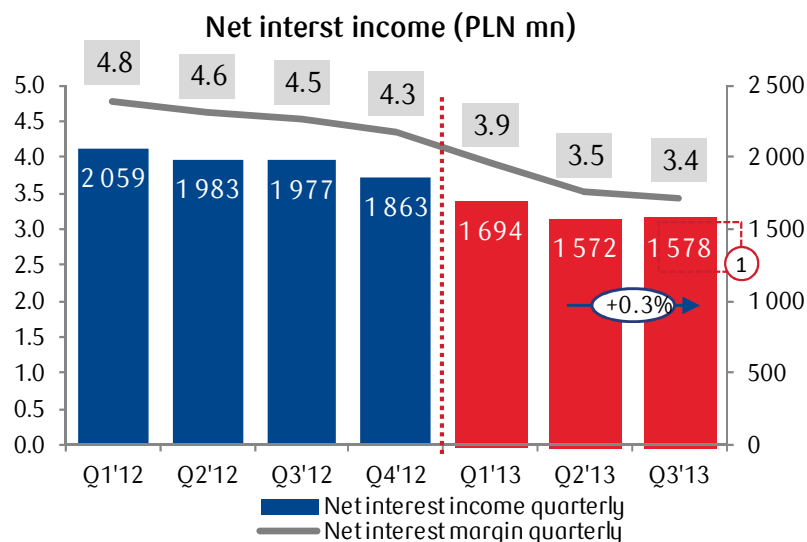


	<i>PLN mn</i>	3Q'12	3Q'13	Change y/y	Q2'13	Q3'13	Change q/q
Net interest income		6 020	4 844	-19.5%	1 572	1 578	+0.3%
Net F&C result		2 264	2 351	+3.8%	772	808	+4.7%
Other income		432	332	-23.0%	133	141	+6.1%
Result on financial operations and dividends		78	105	+34.0%	42	35	-16.3%
Net FX result		233	142	-39.0%	87	67	-22.6%
Net other income		120	85	-29.0%	4	39	+812.0%
<b>Result on business activity</b>		<b>8 716</b>	<b>7 527</b>	<b>-13.6%</b>	<b>2 478</b>	<b>2 528</b>	<b>+2.0%</b>

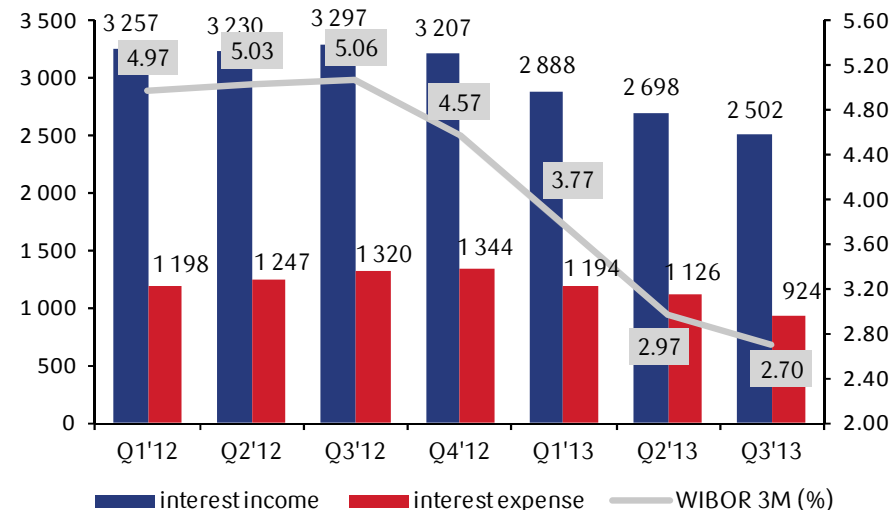


Bank Polski

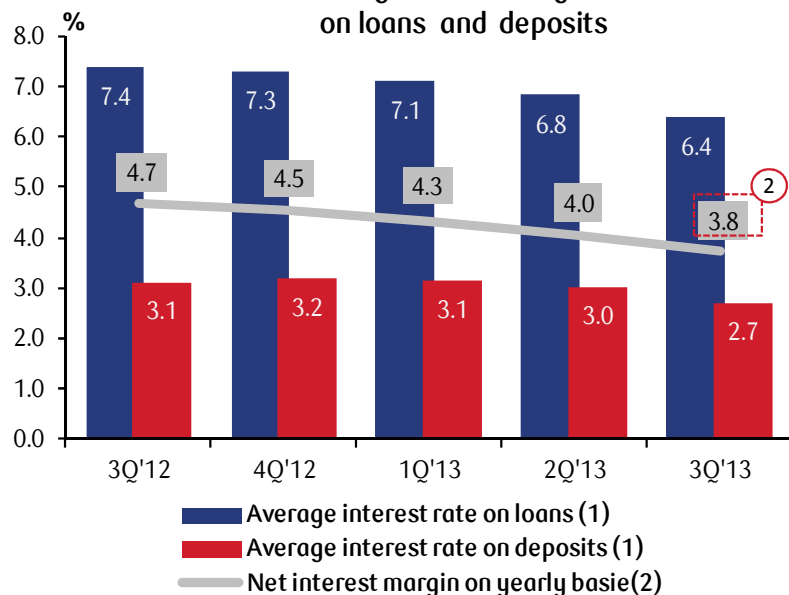
# Net interest income (1)



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



## Net Interest margin and average interest rates on loans and deposits



(1) Stabilization of NII and NIM in Q3'13 in conditions of further drop in market interest rates, mainly due to lower average interest rates on deposits, adaptation of price offer of deposit products and the change of structure in favour of current deposits

(2) Drop in Interest margin by 0.9 pp. y/y to 3.8% as a result of a decrease in annualised net interest income (due to a drop in market interest rates causing directly faster decrease in interest-bearing assets mostly based on market rates than on the decline in interest rates of the deposit offer), accompanied by an increase in the volume of average interest-bearing assets (mainly the portfolio of loans and advances to customers).

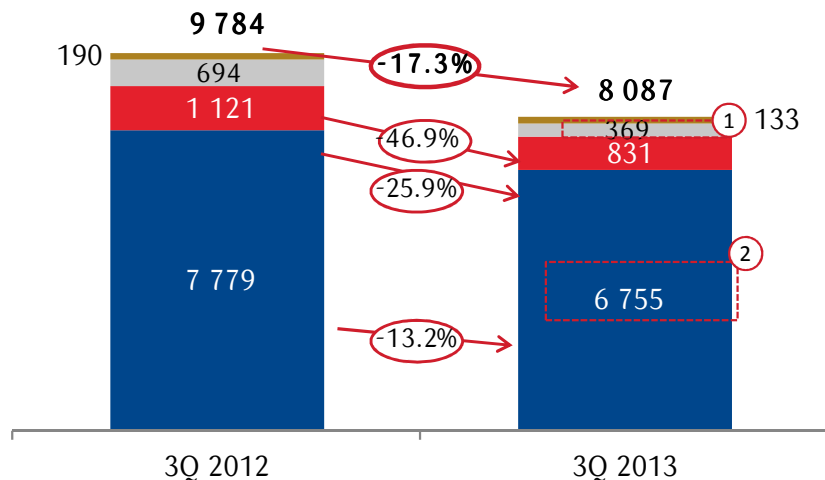
(1) Interest income (expense) for last 4 quarters / average net loans (deposits) at the beginning and the end of the period of last 4 quarters

(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)

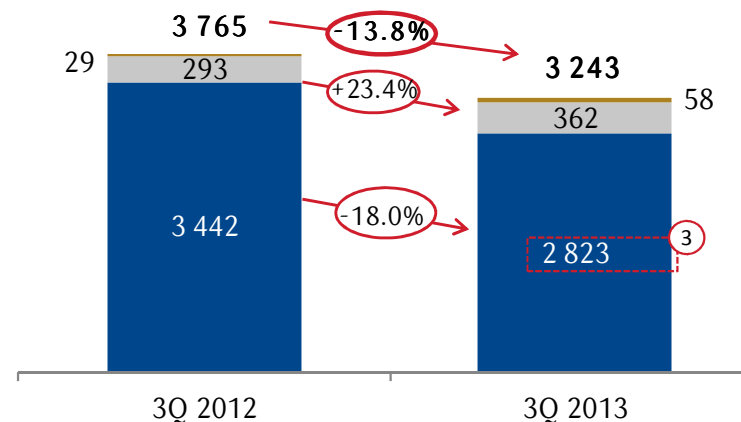


# Net interest income (2)

Structure of interest income (PLN mn)



Structure of interest expense (PLN mn)

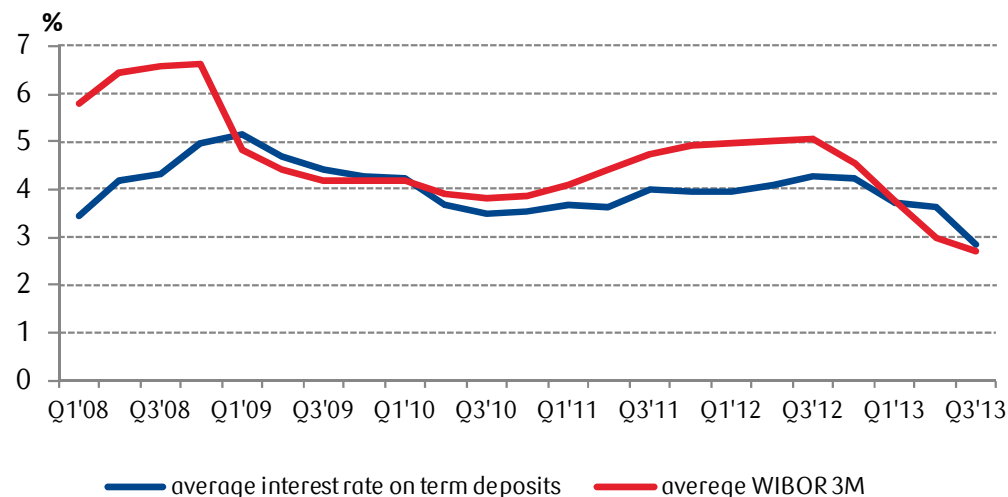


■ Customer loans      ■ Securities  
 ■ Derivative hedging instruments      ■ Other

■ Customer deposits      ■ Debt securities in issue      ■ Other

- 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 7.3 bn y/y
- ③ 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, adaptation of price offer of deposit products and the change of structure in favour of current deposits, accompanied by an increase in amounts due to customers by PLN 5.4 billion y/y,

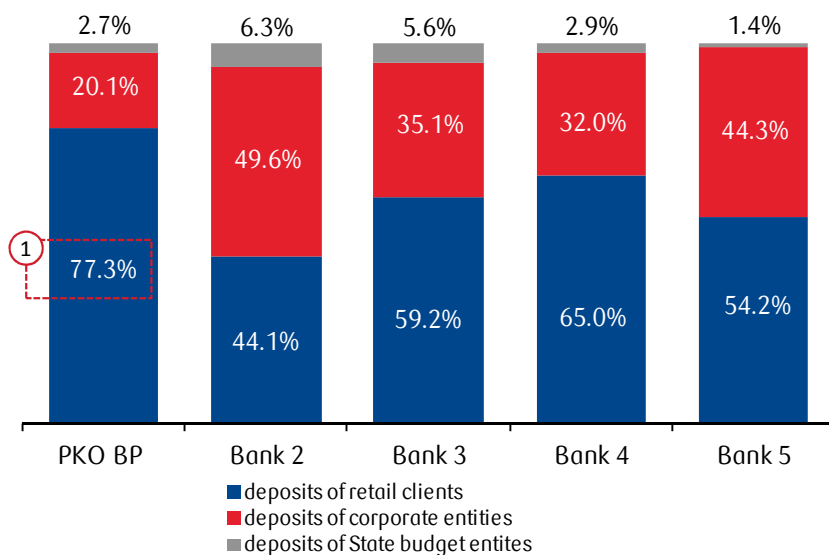
Interest rates on term deposits vs. WIBOR 3M



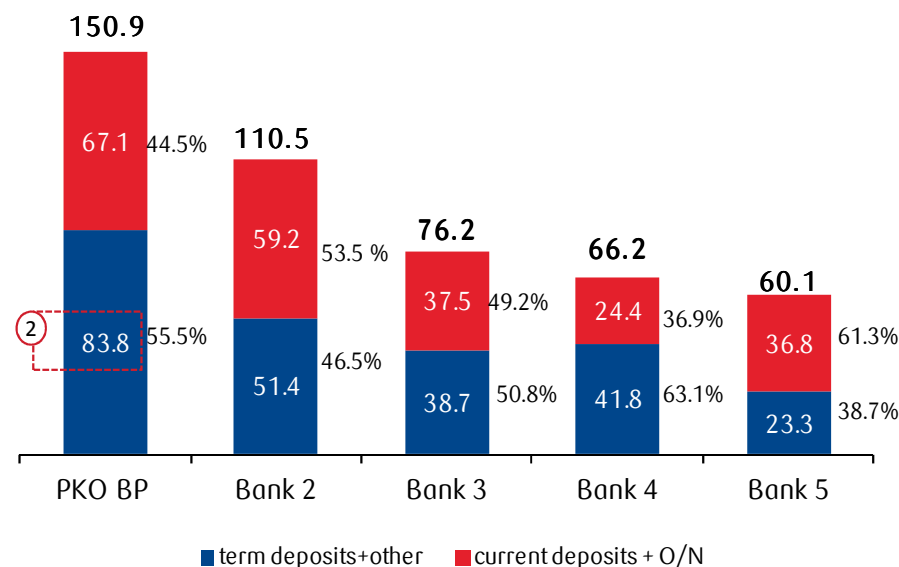


# The safe structure of deposit base as compared to competitors, at the expense of higher sensitivity on interest rates changes in a short term

**Subject structure of total deposits<sup>1)</sup>**  
(as at 30.09.2013)



**Deposits structure in Polish banks**  
(as at 30.06.2013 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 conditions 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

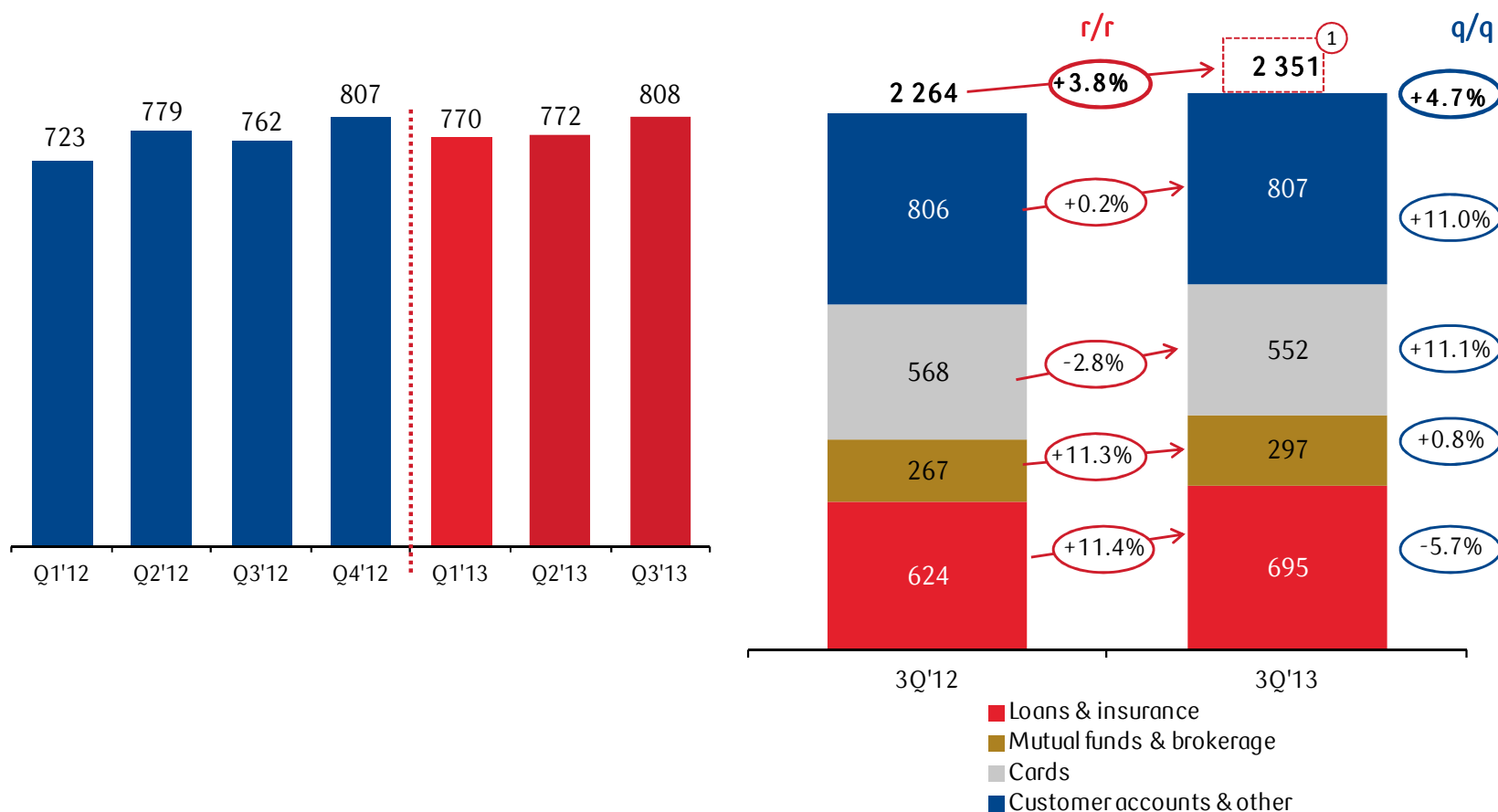
Source: banks' consolidated financial statements

(1) Amounts due to customers



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

Net fee and commission income (PLN mn)



1

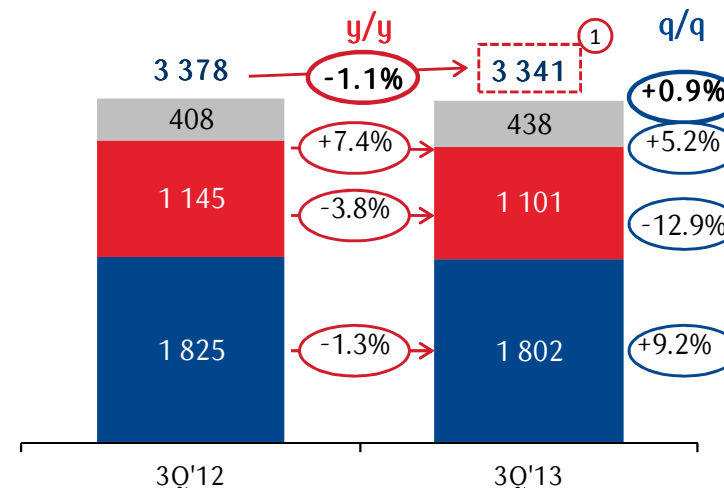
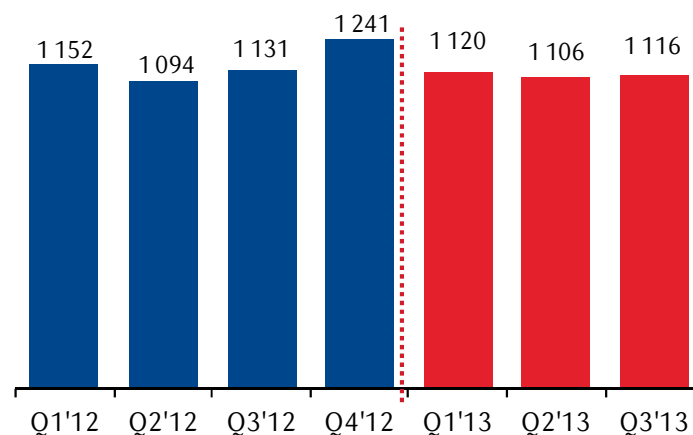
The level of net fee and commission income was mainly affected by:

- increase in net commission income in respect of loans granted and insurance sales due to the increase in loans sales (+15% y/y) and insurance saturation of loans,
- increase in commission income in respect of maintenance of investment funds (including management fees) due to more profitable sales structure of funds, and approximately 44% increase in the value of assets,
- 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 beginning of the year - lower commission related to IF was accompanied by the increase in card transactions,

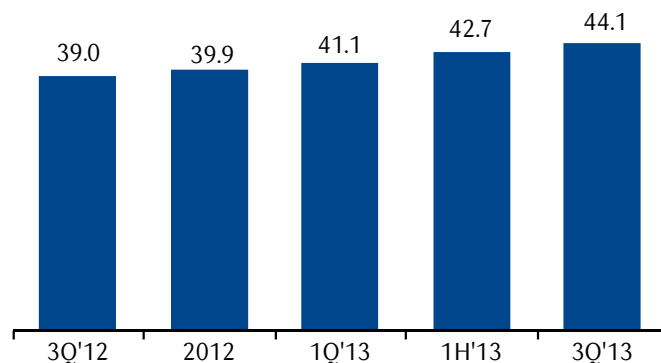


# Administrative expenses

Administrative expenses (PLN mn)



C/I ratio



Employment (FTEs) eop

	3Q'12	3Q'13	Change y/y	
			FTEs	%
Bank	25 313	24 646	-667	-2.6%
Group	28 465	27 814	-651	-2.3%

1

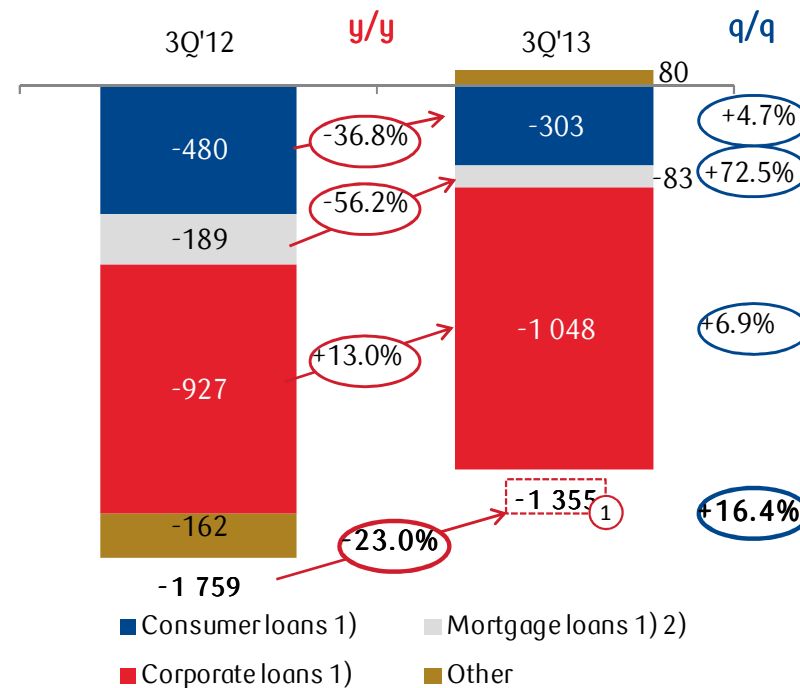
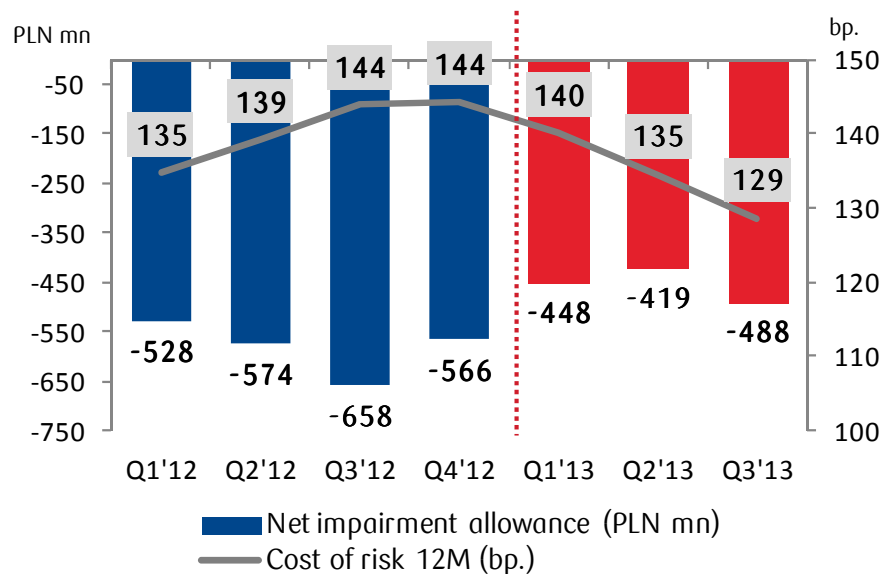
Lower administrative expenses mainly due to decrease in:

- personnel expense, partly in connection with implementation in Q2'13 the Employee Pension Plan - EPP
- overheads and other expenses, mainly due to the decrease in cost of maintenance and rental of fixed assets, promotion, advertising and telecommunication



# Net impairment allowance

## Net impairment allowance and write-offs (PLN mn)



## Share of loans with recognized impairment<sup>3)</sup>

	3Q'12	3Q'13	Change y/y
Consumer loans	9.0%	9.8%	+0.8 pp.
Mortgage loans	3.7%	3.6%	-0.1 pp.
PLN	3.6%	3.2%	-0.4 pp.
FX	3.9%	4.5%	+0.6 pp.
Corporate loans	14.0%	13.2%	-0.8 pp.
<b>Total</b>	<b>8.9%</b>	<b>8.6%</b>	<b>-0.3 pp.</b>

<sup>1</sup> Significant improvement of net impairment is mainly a result of the decrease in the net impairment allowance on the consumer and housing loans portfolio as well as resolving provisions for legal claims, loan commitments and guarantees granted

(1) Management data (2) Housing loans for individuals

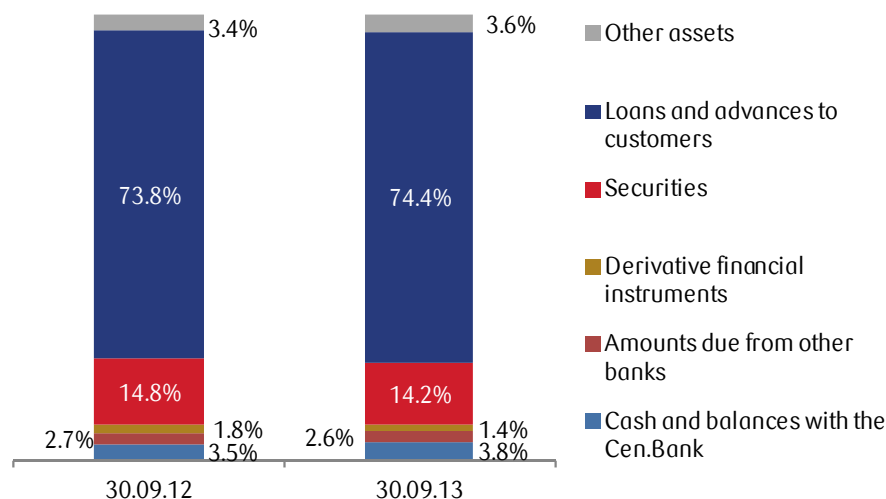
(3) Calculated by dividing the gross carrying amount of impaired loans and advances to customers by the gross carrying amount of loans and advances to customers

# Consolidated balance sheet



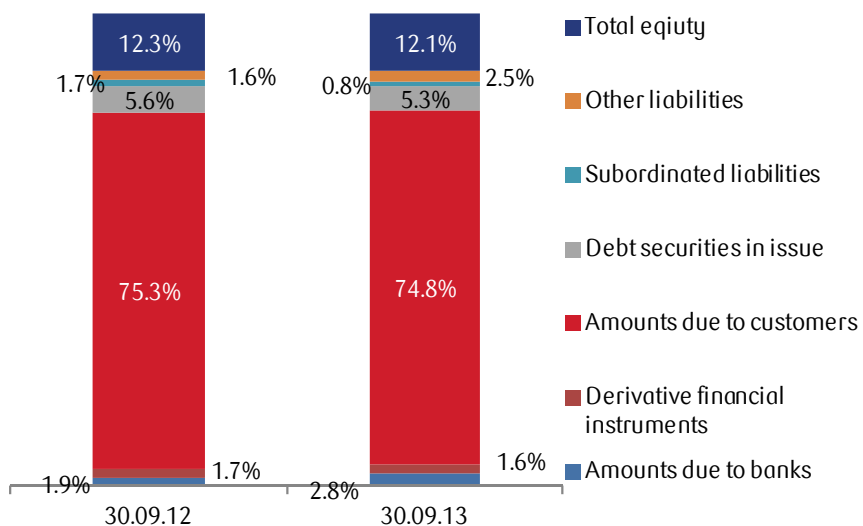
Bank Polski

## Total assets



	PLN bn	30.09.12	30.09.13	Change y/y
Cash and balances with the Cen.Bank		6.7	7.6	+13.2%
Amounts due from other banks		5.2	5.2	+0.9%
Derivative financial instruments		3.5	2.8	-20.4%
Securities		28.5	28.7	+0.6%
Loans and advances to customers		142.7	150.0	+5.1%
Other assets		6.6	7.3	+10.0%
<b>Total assets</b>		<b>193.2</b>	<b>201.6</b>	<b>+4.3%</b>

## Total equity and liabilities



	PLN bn	30.09.12	30.09.13	Change y/y
Amounts due to banks		3.6	5.7	+57.7%
Derivative financial instruments		3.4	3.3	-2.2%
Amounts due to customers		145.4	150.9	+3.7%
Debt securities in issue		10.8	10.7	-1.0%
Subordinated liabilities		3.2	1.6	-50.6%
Other liabilities		3.0	5.0	+66.0%
Total equity		23.8	24.5	+2.9%
<b>Total equity and liabilities</b>		<b>193.2</b>	<b>201.6</b>	<b>+4.3%</b>



Bank Polski

# Loans and deposits

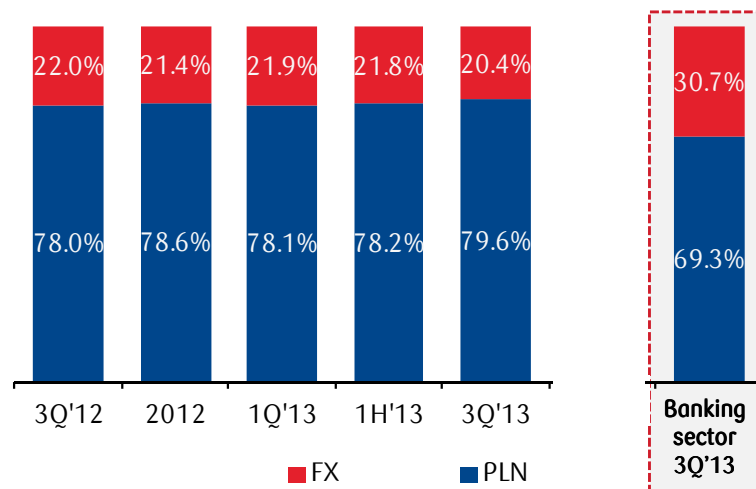
Gross loans (PLN bn)

3Q'12	2012	1Q'13	1H'13	3Q'13
149.2	150.7	154.7	156.3	157.0

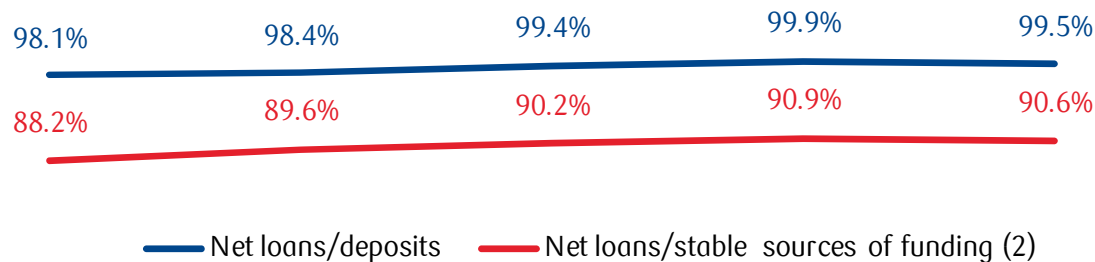
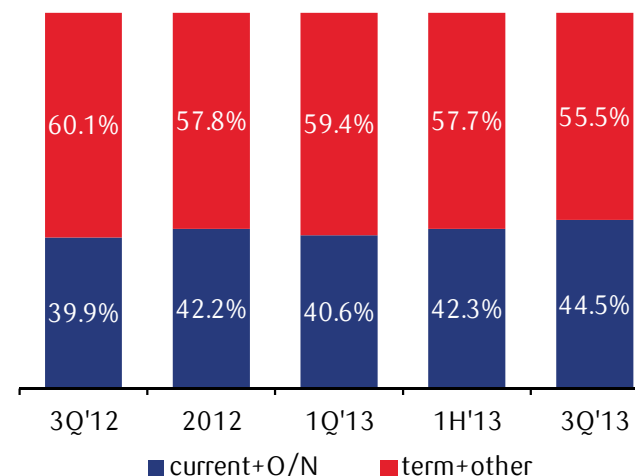
Deposits<sup>(1)</sup> (PLN bn)

3Q'12	2012	1Q'13	1H'13	3Q'13
145.4	146.2	148.4	149.2	150.9

Currency structure of gross loans portfolio



Term structure of total deposits<sup>(1)</sup>



(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

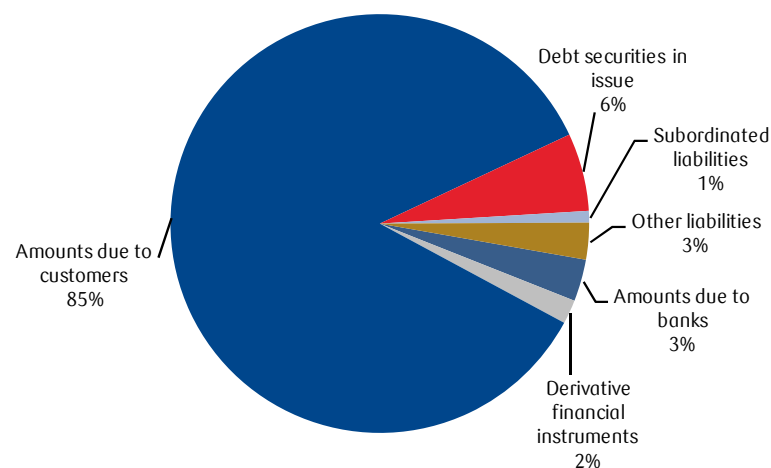


Bank Polski

## Funding sources

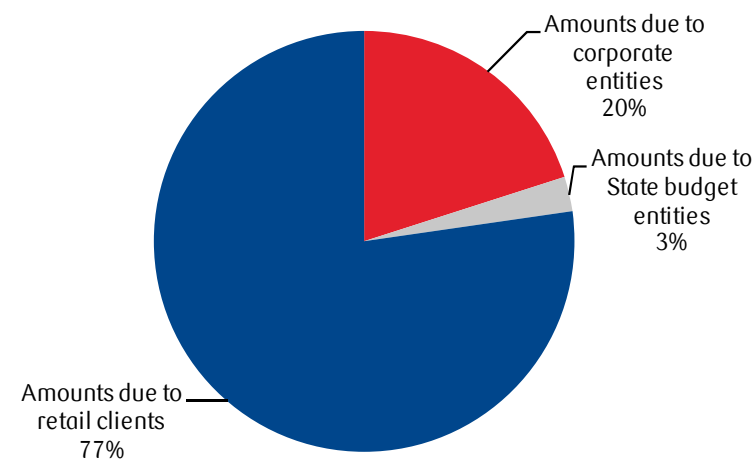
### Liabilities structure

(total as at 30 September 2013: PLN 177.2 bn)



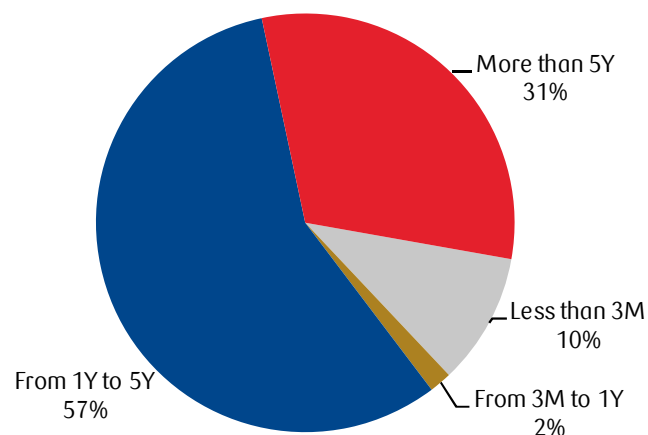
### Deposit structure

(total as at 30 September 2013: PLN 150.9 bn)



### Debt securities structure

(total as at 30 September 2013: PLN 10.7 bn)

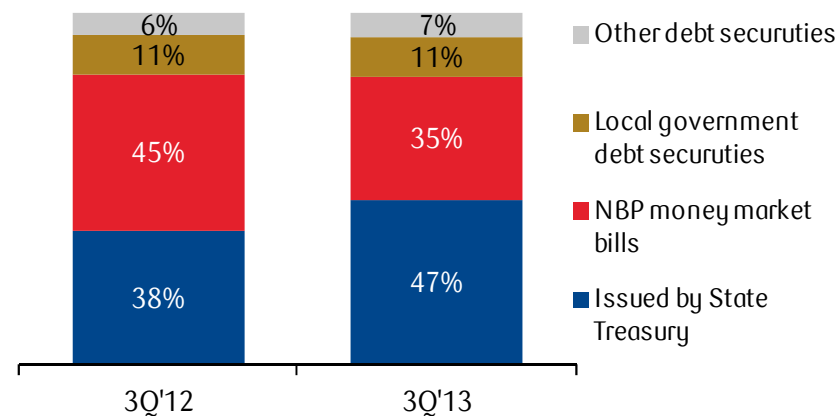
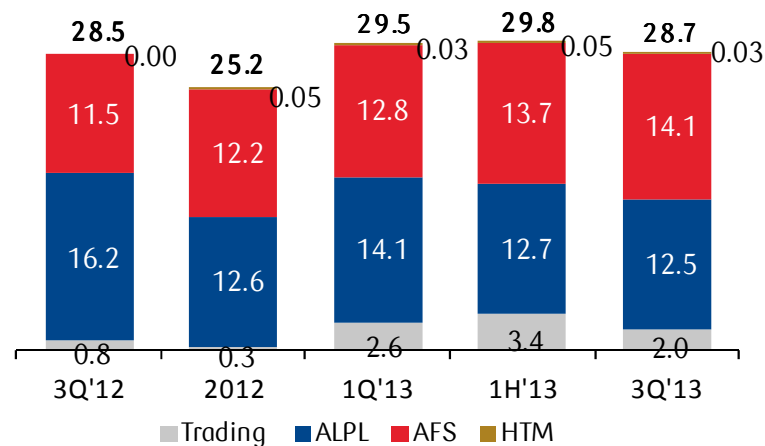


- Retail and corporate deposits are the primary source of funding
- Financing agreements as at end-3Q 2013 included:
  - CHF 410 mn 3-year credit facility opened in July 2012
  - EUR 800 mn 5Y Eurobonds raised in October 2010
  - CHF 250 mn 5Y bonds issuance in July 2011
  - CHF 500 mn 3.25 Y bonds issuance 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)



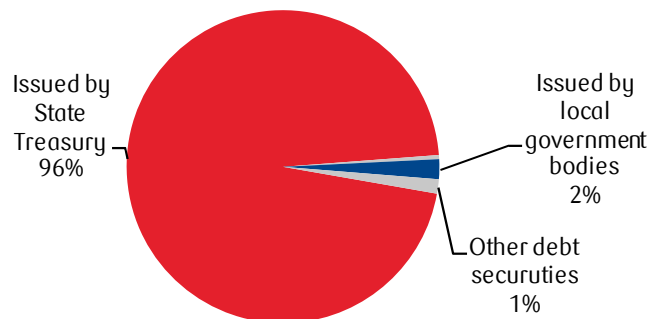
Bank Polski

# Securities – split of portfolio

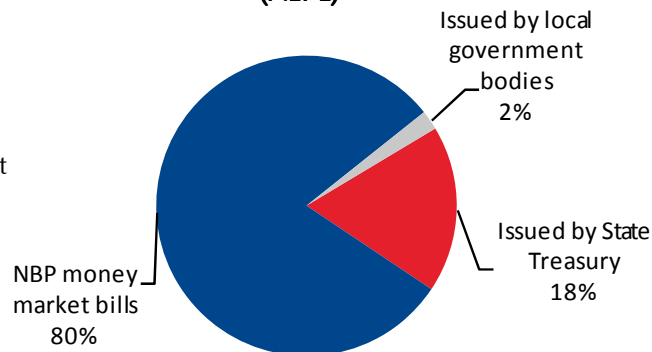


## Structure as at end-3Q'13

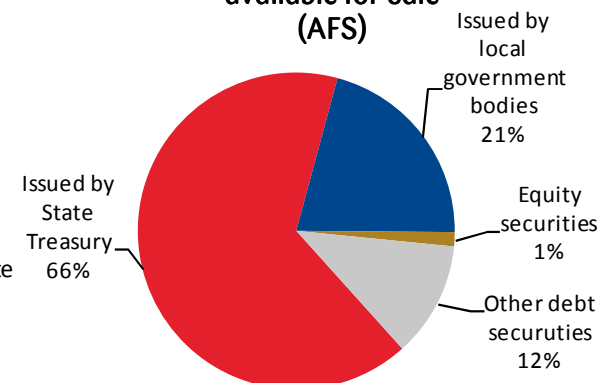
Trading assets



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



Investment securities available for sale (AFS)





Bank Polski

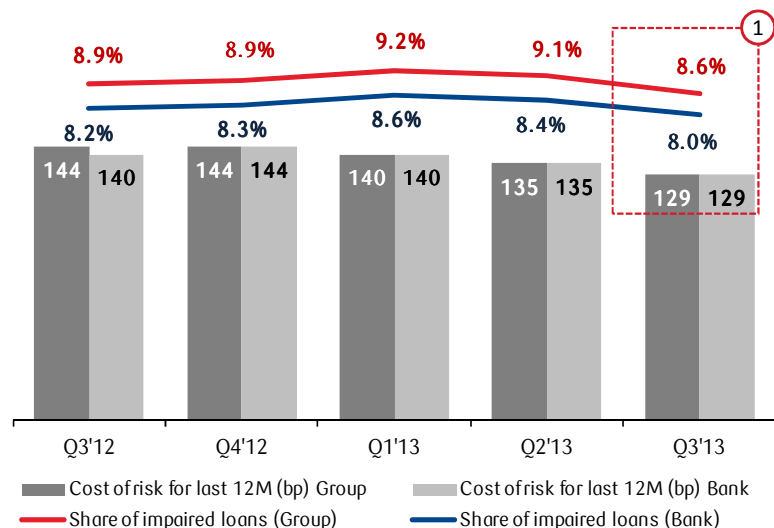
Executive summary	3
Financial results	14
Risk management	27
Business activity	32
Appendix	40

# Quality of loan portfolio

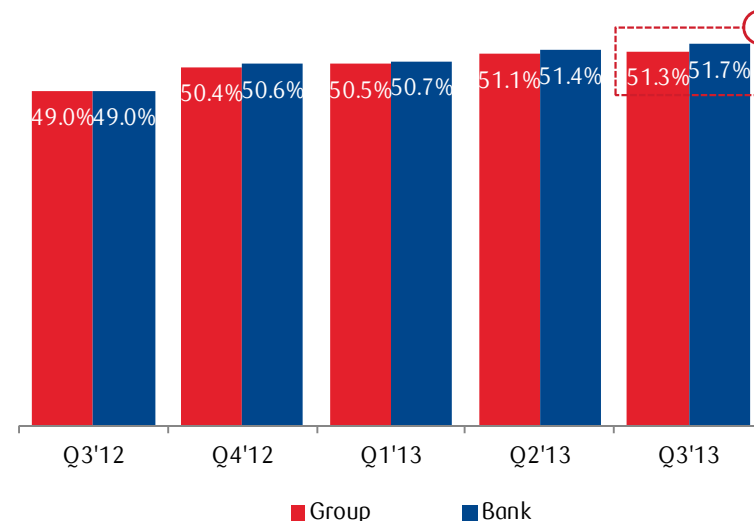


Bank Polski

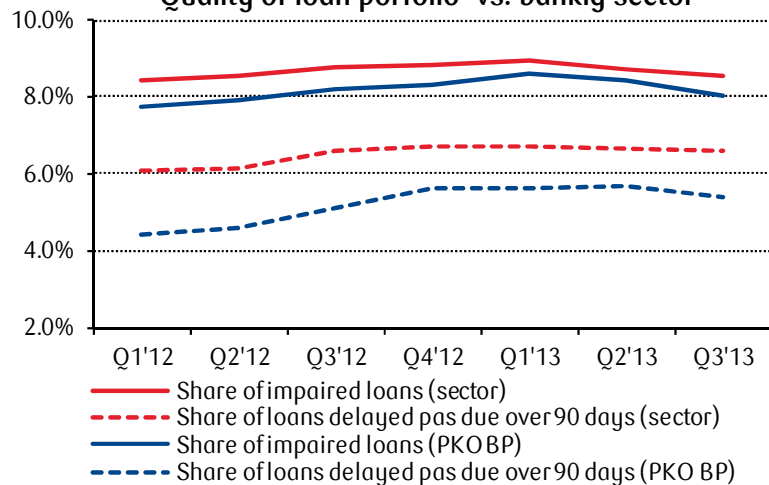
### Share of loans with recognized impairment and cost of risk



### Coverage of loans with recognized impairment by impairment allowance



### Quality of loan portfolio vs. bankig sector



- ① Parallel decrease in share of loans with recognized impairment and cost of risk (consolidated and standalone) due to stabilisation of quality of the corporate loans and sale of NPLs portfolio of value c. PLN 900 mn
- ② Continued gradual growth of coverage of loans with recognized impairment by impairment allowance

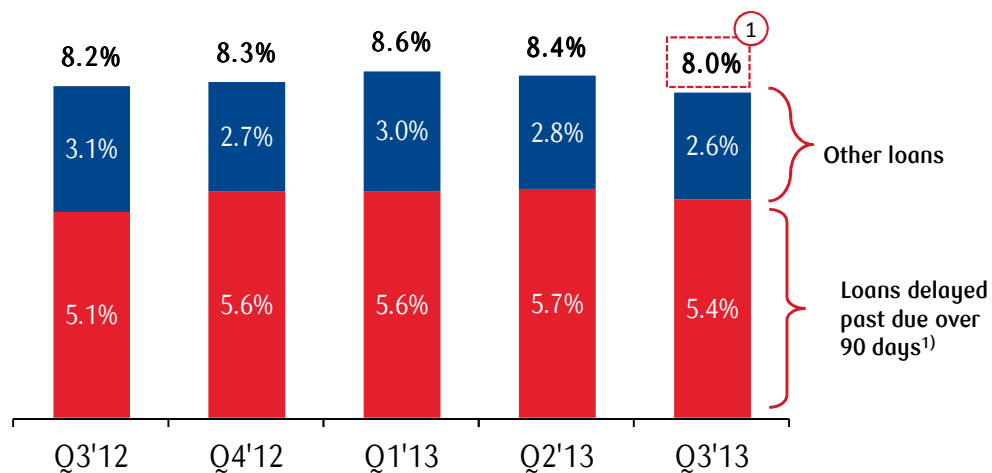
Source: for the banking sector own calculations based on KNF data

# Quality of loan portfolio

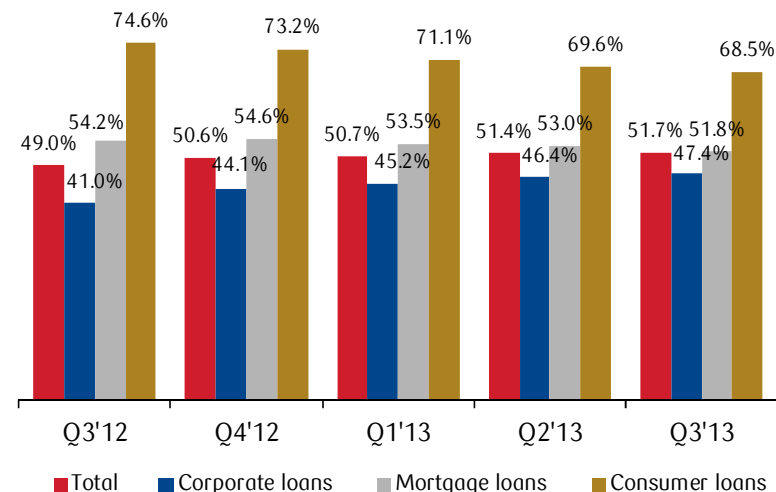


Bank Polski

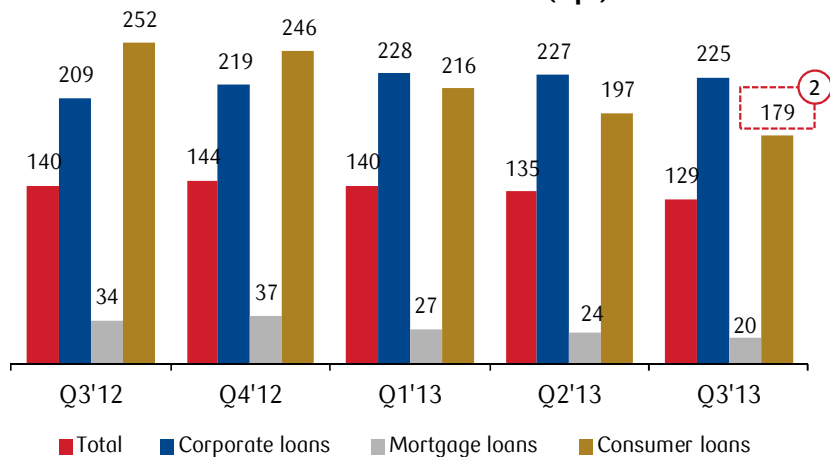
Share of loans with recognized impairment



Coverage of loans with recognized impairment by impairment allowance



Cost of risk for last 12M (bp.)

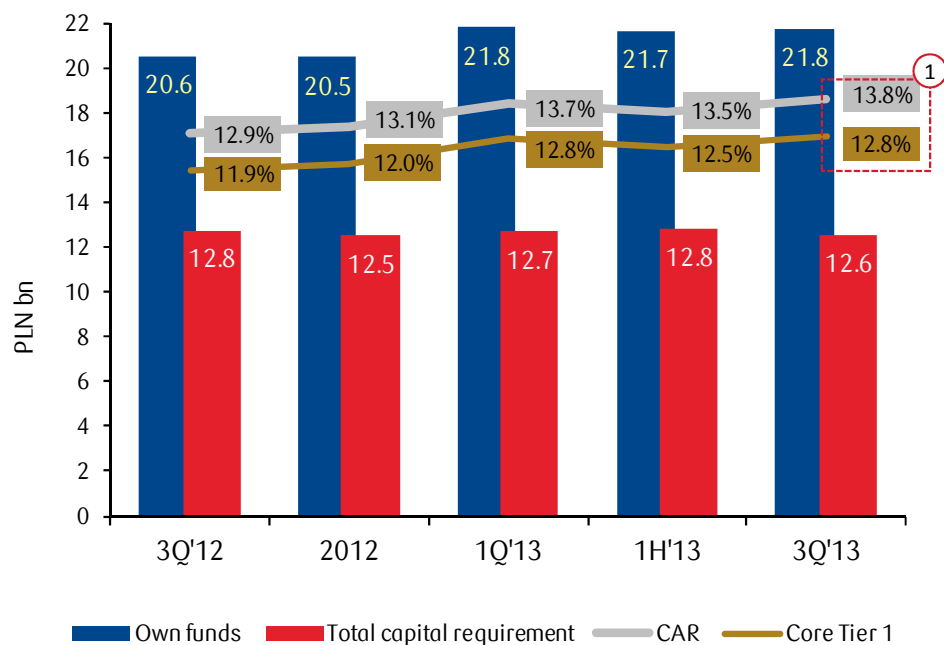
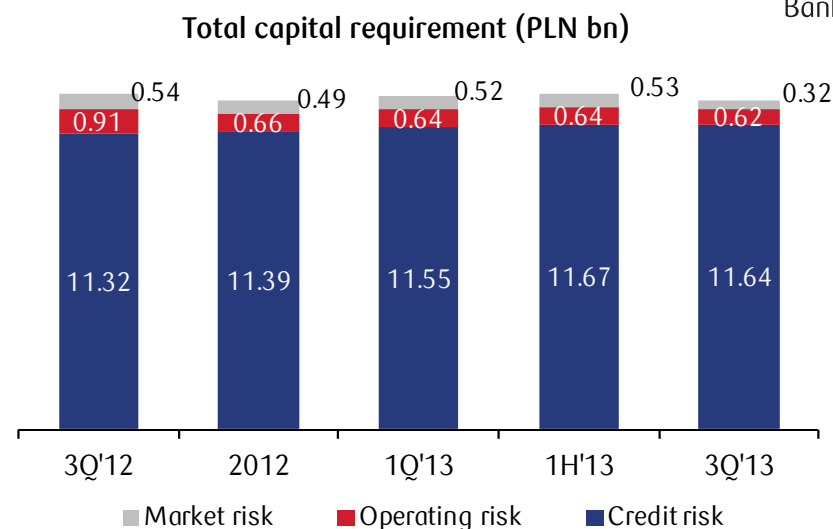
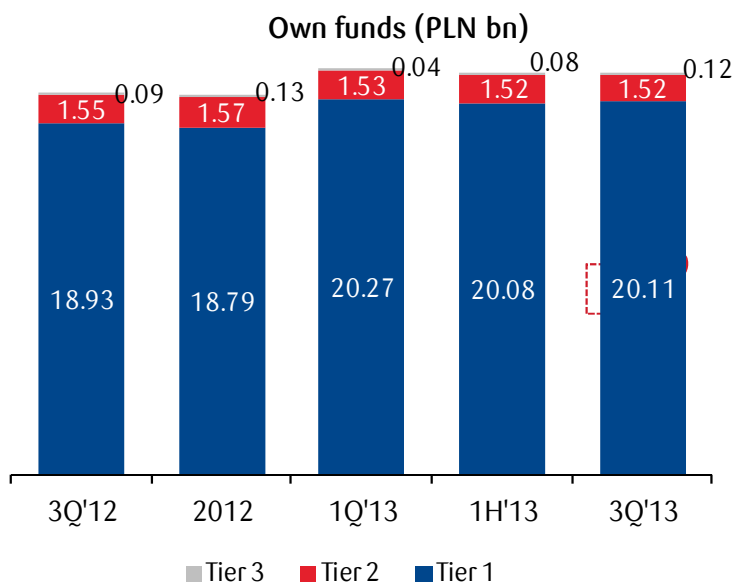


- ① Decrease q/q in share loans with recognized impairment due to lower volume of corporate loans with recognized impairment
- ② Gradual decrease in cost of risk for consumer loans during last 12M

# Capital adequacy



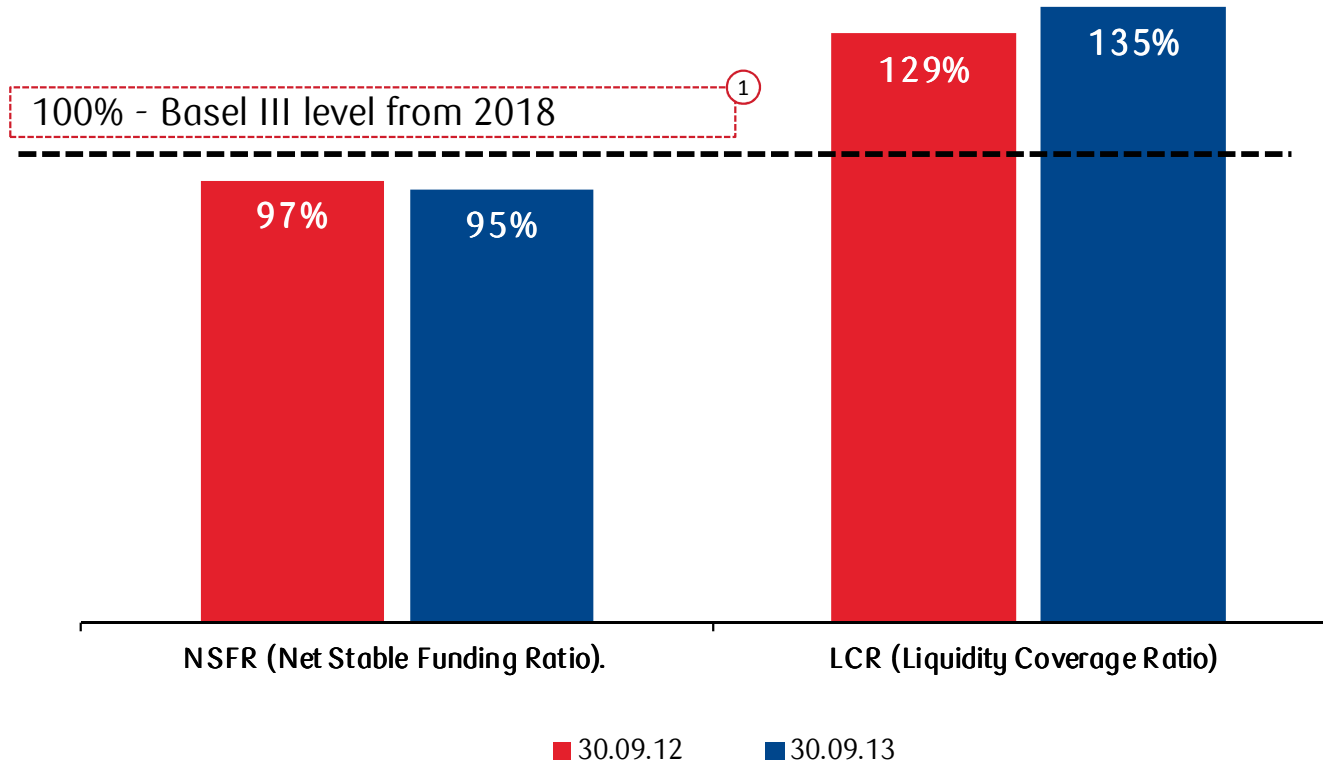
Bank Polski



- ① Growth of CAR by 1.0 pp. y/y mainly due growth of own funds  
As at end-3Q'13 average CAR for banking sector at 15.6%  
and Core Tier 1 at 14.2%
- ② Growth of Tier 1 funds y/y mainly due to the recognition PLN 1.34 bn of profit earned by the Bank in 2012 and unappropriated profits from previous years after dividend payout



## Basel III and CRD IV – liquidity ratios



1 According to CRD IV/CRR minimal level of LCR ratio that from 1st January 2014 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 suggested level of NSFR from 1st January 2018: 100%.



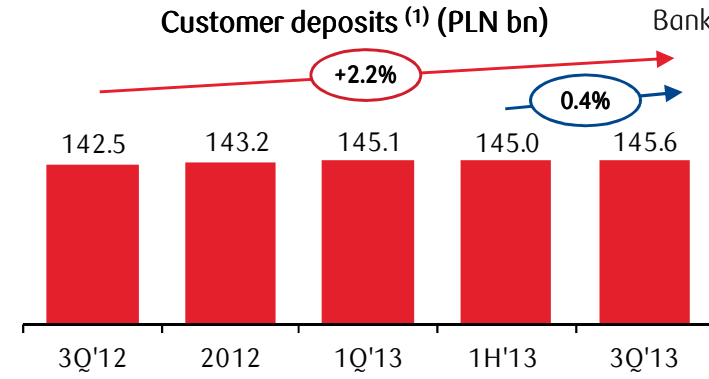
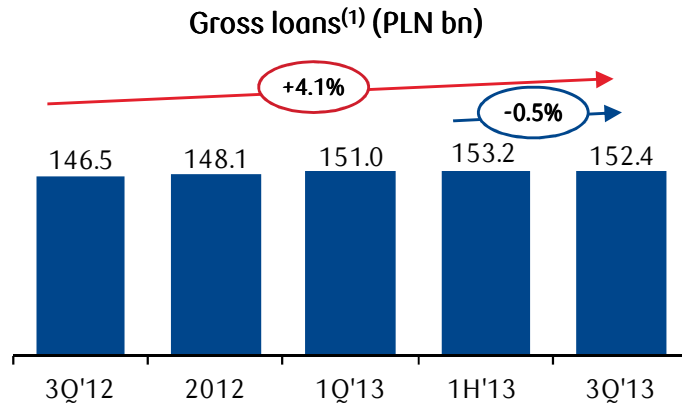
Bank Polski

Executive summary	3
Financial results	14
Risk management	27
Business activity	32
Appendix	40

# Business activity - volumes

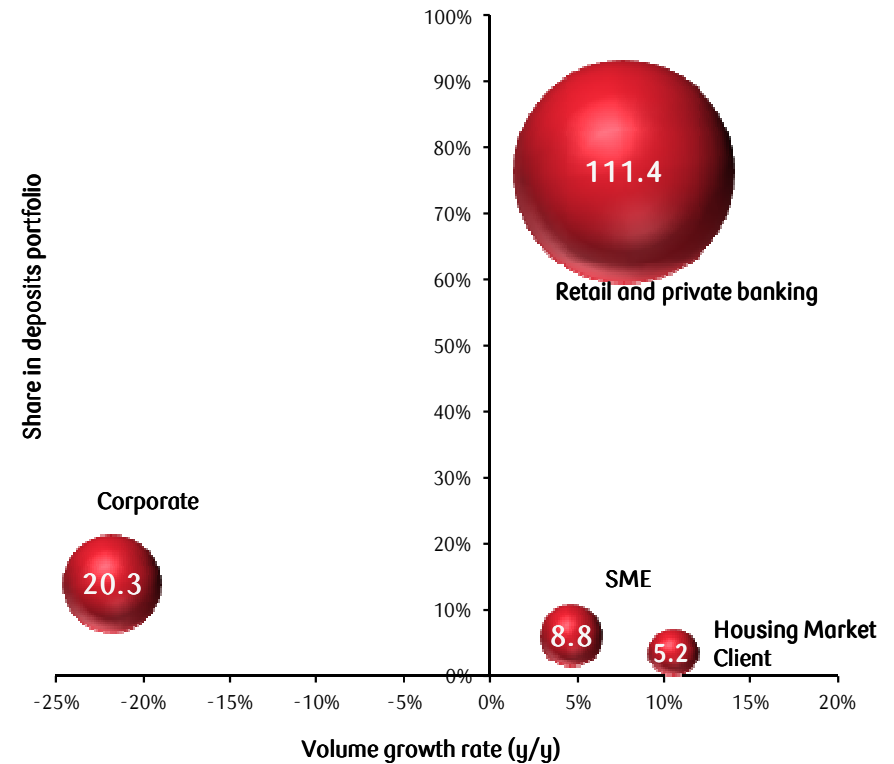
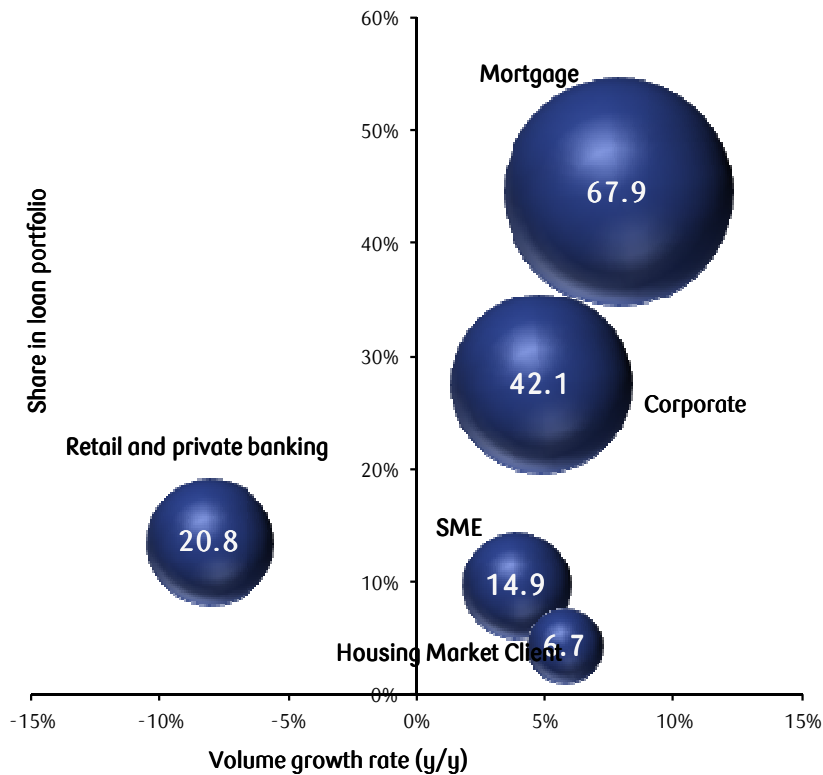


Bank Polski



Gross loans by business lines (as at 30.09.2013)<sup>1)</sup>

Customer deposits by business lines (as at 30.09.2013)<sup>1)</sup>



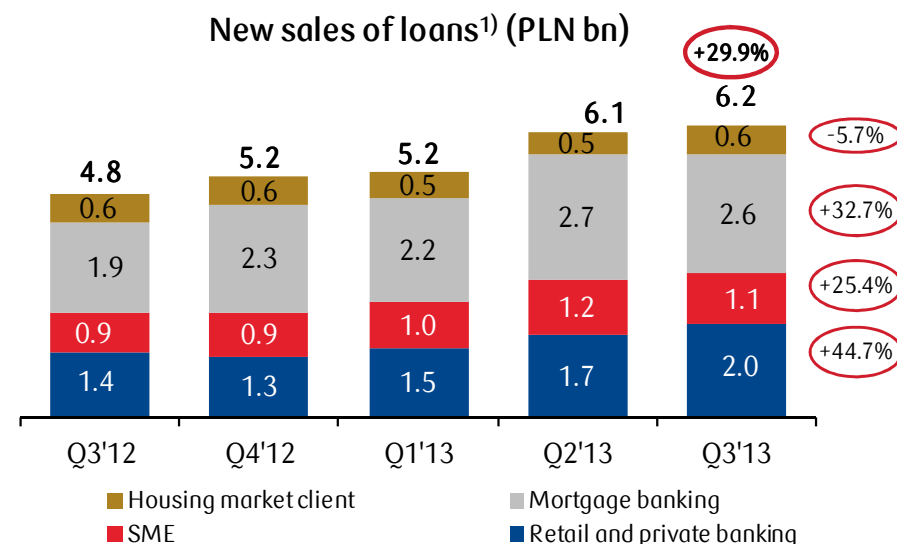
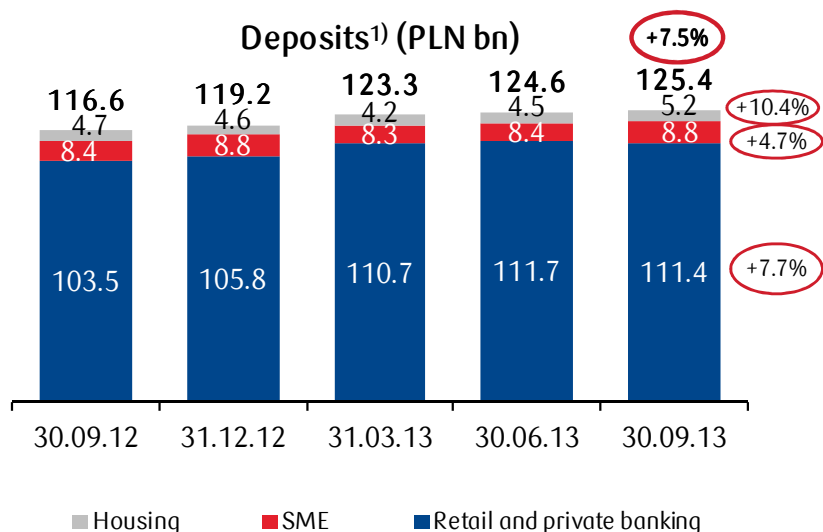
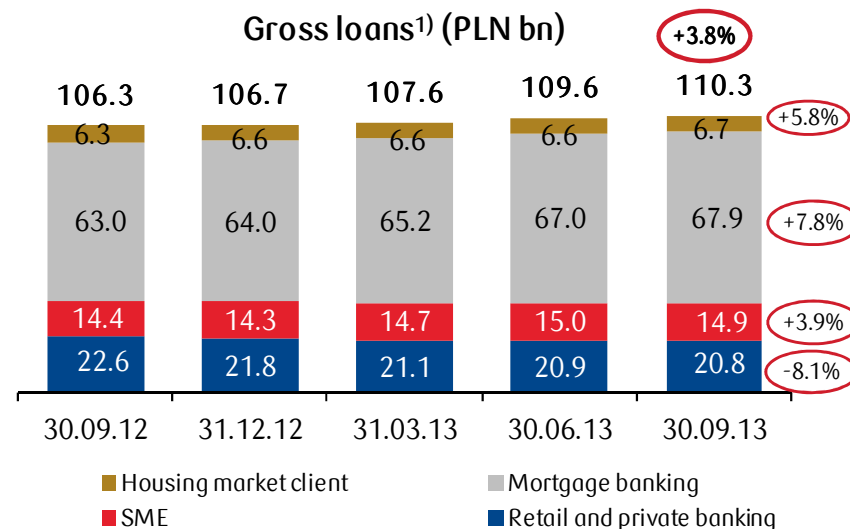
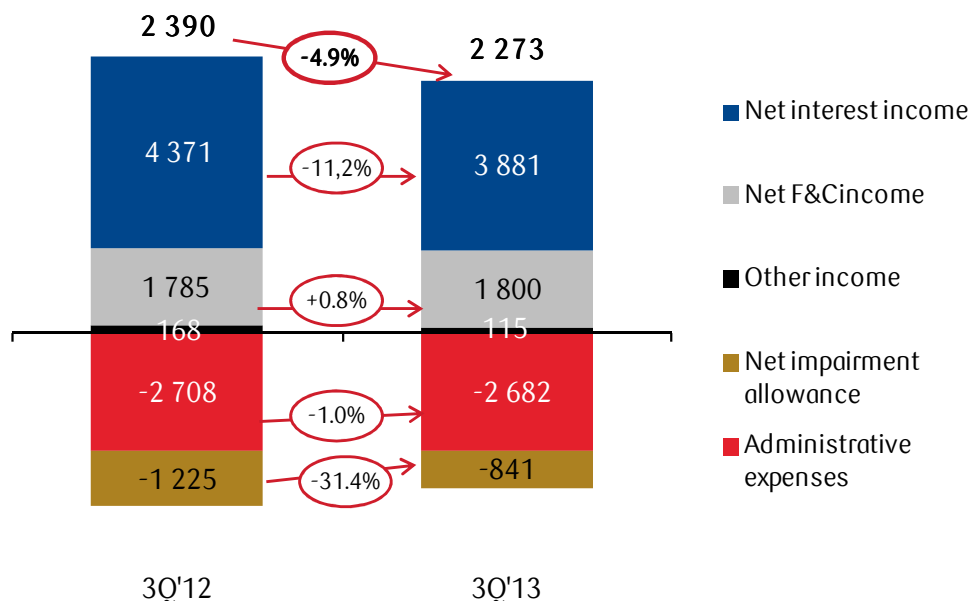
(1) Bank's management data

# Retail segment



Bank Polski

Gross financial result of retail segment (PLN mn)



○ Change y/y

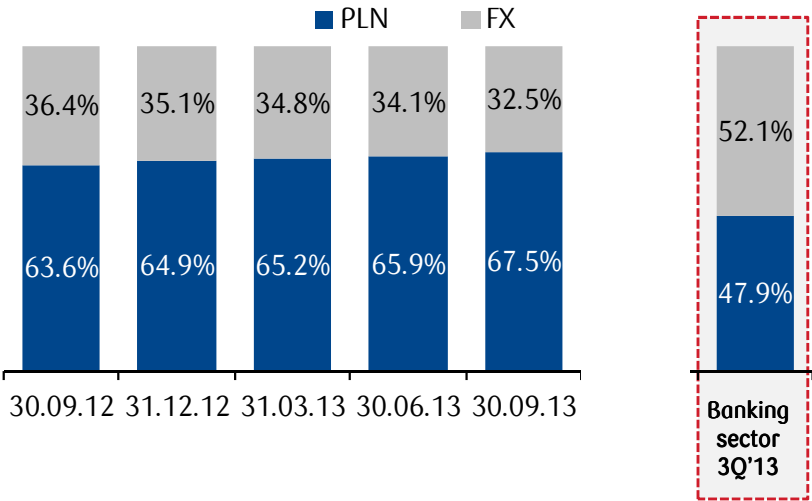
(1) Bank's management data. Change in relation to business volumes previously presented results from a change in presentation; i.e. volumes currently presented include valuation adjustments and accrued interest. Additionally, the mortgage loan for consumer purposes was presented in loans and advances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



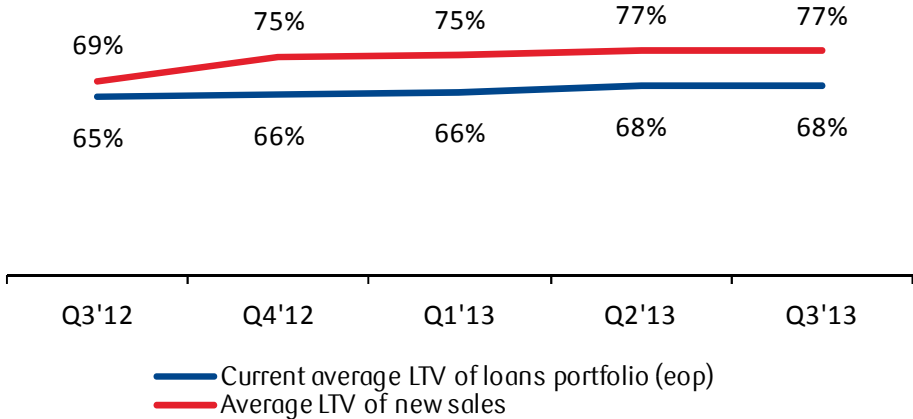
Bank Polski

# Retail segment – mortgage loans

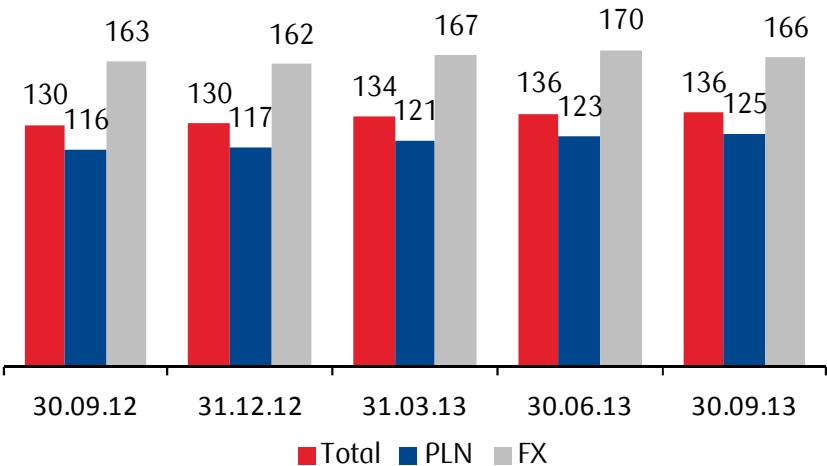
Structure of mortgage loans portfolio



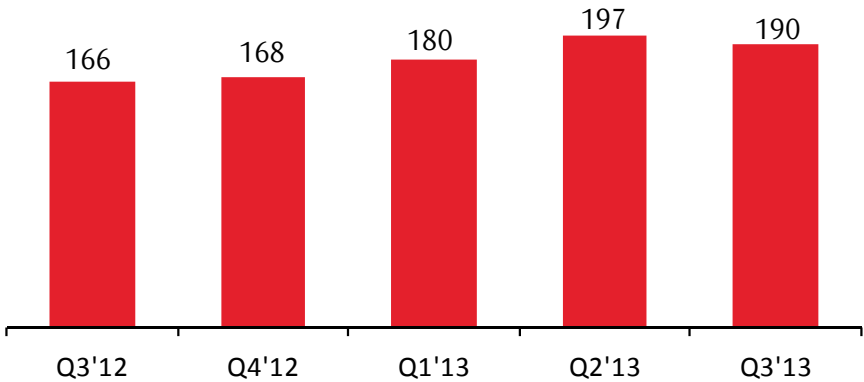
Average LTV



Average carrying value of mortgage loan (PLN '000)



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

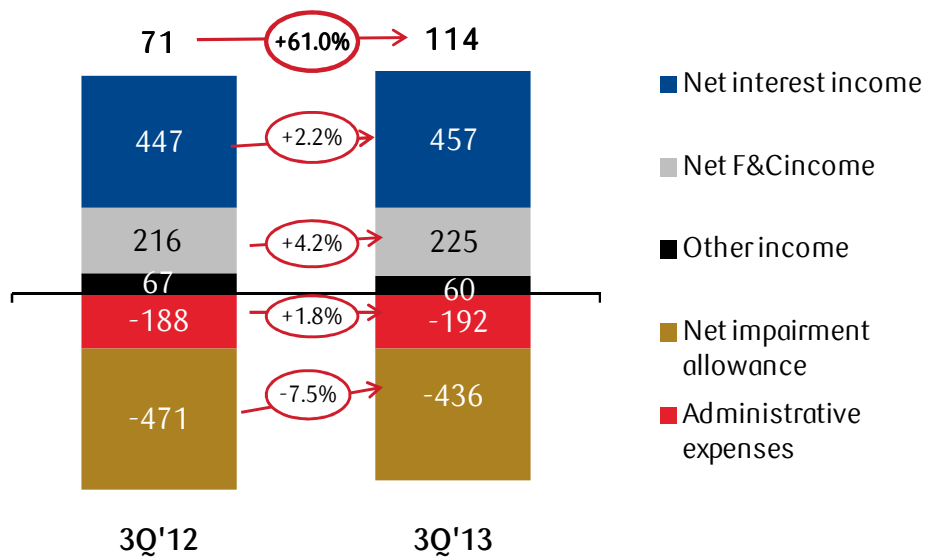




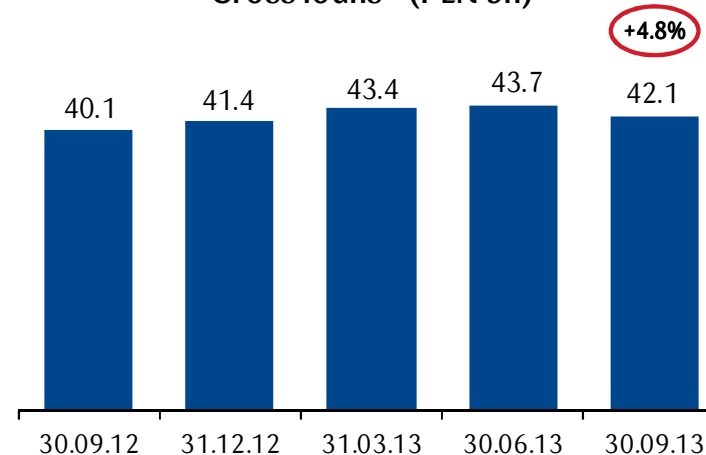
Bank Polski

# Corporate segment

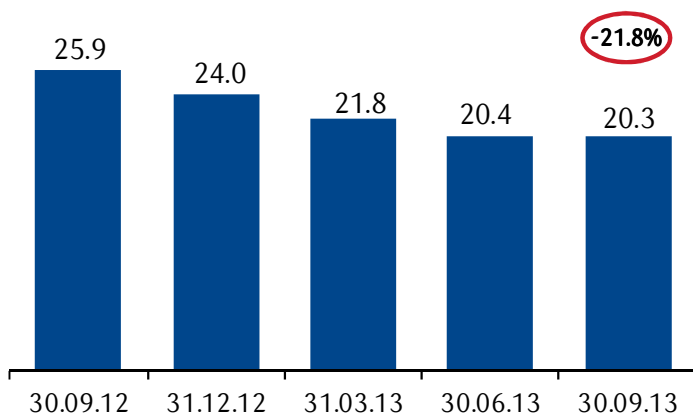
Gross financial result of corporate segment (PLN mn)



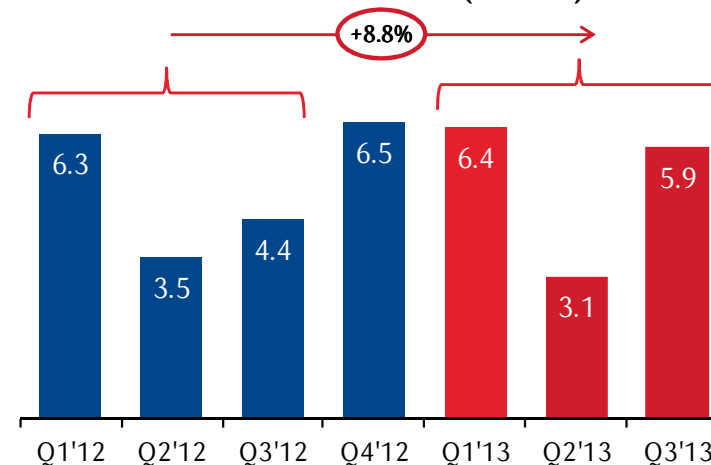
Gross loans<sup>1)</sup> (PLN bn)



Deposits<sup>1)</sup> (PLN bn)



New sales of loans<sup>1)</sup> (PLN bn)



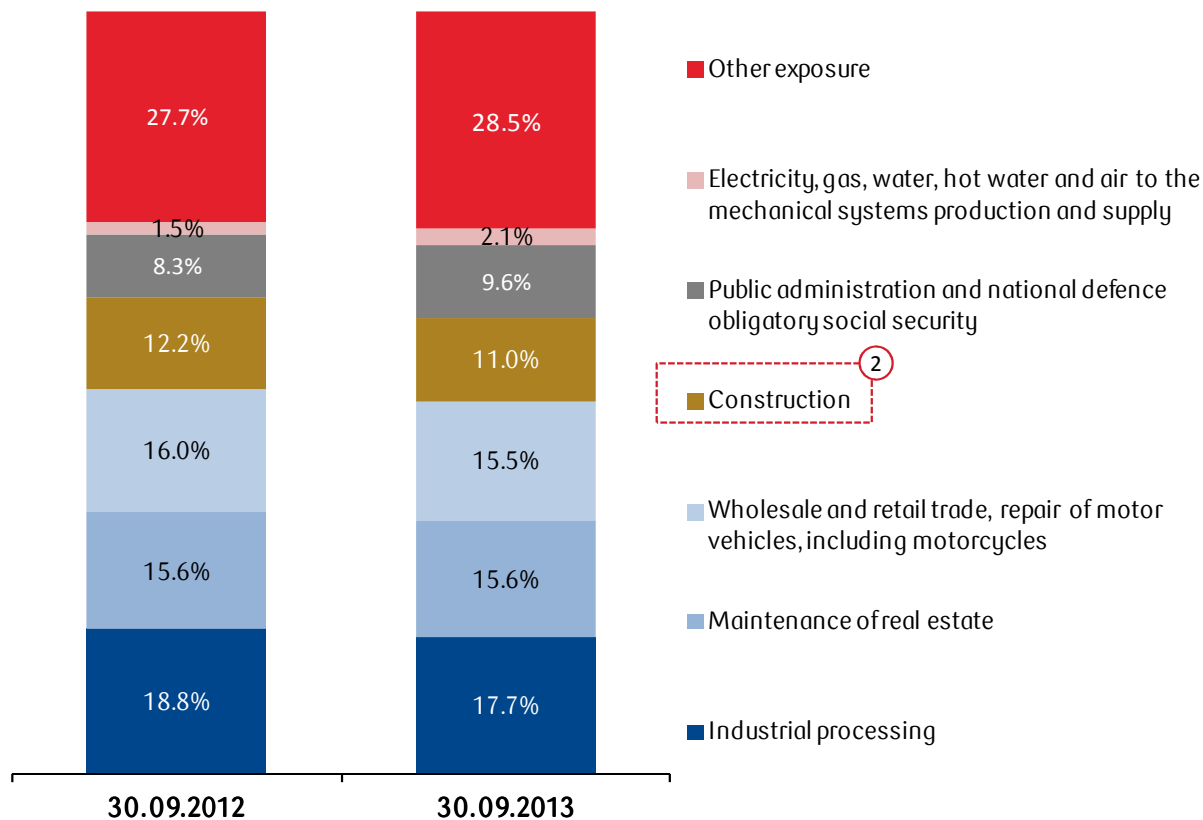
○ Change y/y

(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.

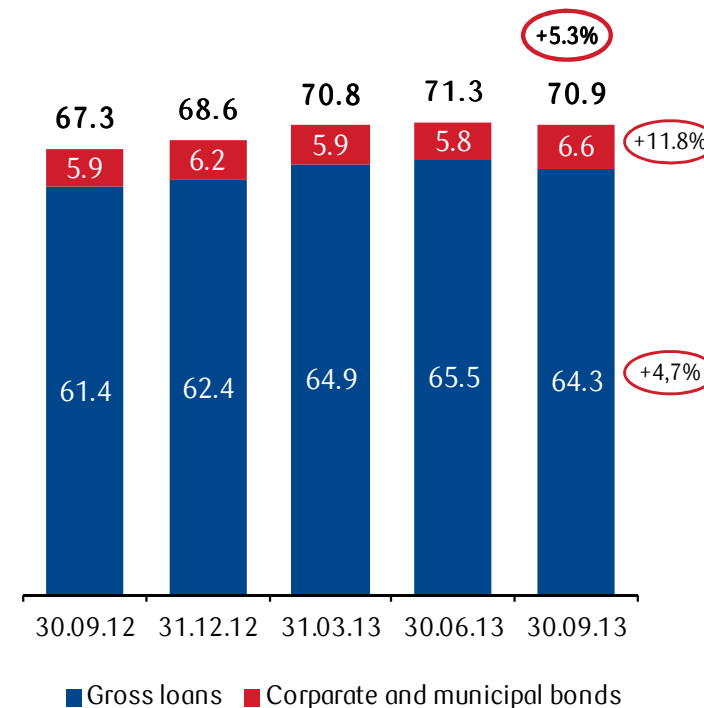


# Credit risk concentration

<sup>1</sup> Structure of corporate<sup>1)</sup> loans by industry segment



Receiveables due from corporate<sup>1)</sup> entities (PLN bn)



<sup>1</sup> Strongly diversified loan portfolio indicates low concentration by industry. The biggest share in portfolio has section „Industrial processing”, which was at level 17.7% as at end-3Q 2013. The highest growth (+1.3 pp. y/y) noted section „Public administration and national defence, obligatory social security”

<sup>2</sup> As at end-3Q 20113 share of section „Construction” in total gross loans at 4.8%, 0.6 pp lower y/y, along with decrease in corporate loan portfolio by 1.2 pp. y/y









○ Change y/y

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

# Net financial results of Group Entities



Bank Polski

	PLN mn	3Q 2012	3Q 2013	Change
<b>Consolidated net profit</b>		<b>2 874.4</b>	<b>2 288.7</b>	<b>-20.4%</b>
 Bank Polski	<b>Banking</b>	2 900.0	2 253.5	-22.3%
 TFI	<b>Mutual funds</b>	17.9	27.0	+51.0% <sup>1</sup>
 Bankowy OFE	<b>Pension fund</b>	12.6	21.7	+71.8% <sup>2</sup>
 Leasing	<b>Leasing</b>	7.2	12.1	+67.1% <sup>3</sup>
 platforma inteligo	<b>Internet banking support</b>	14.9	13.8	-7.3%
 eService	<b>Payments</b>	17.9	34.0	+90.4% <sup>4</sup>
 КРЕДОВАНК GRUPA PKO BP	<b>Banking in Ukraine</b>	-17.7	-40.2	-127.7% <sup>5</sup>
 QUALIA DEVELOPMENT	<b>Real estate development</b>	-4.6	-17.7	-287.0% <sup>6</sup>

<sup>1</sup> Increase in net profit thanks to growth of revenues from management of higher funds (growth of assets under management by 43.8% y/y)

<sup>2</sup> Growth of net profit mainly as an effect of growth of value of funds under management (aquisition of OFE Polsat in April 2013)

<sup>3</sup> Growth of net profit mainly as an effect economic recovery in leasing business

<sup>4</sup> 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

<sup>5</sup> Decrease in net result due to recession and unstable situation on interbank market in Ukraine

<sup>6</sup> 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)	3Q'12	2012	1Q'13	1H'13	3Q'13	Change	
						y/y	q/q
Number of current accounts ('000)	6 135	6 220	6 245	6 254	6 283	+2.4%	+0.5%
Number of banking cards ('000)	7 158	7 164	7 120	7 225	7 090	-0.9%	-1.9%
<i>of which: credit cards</i>	<i>978</i>	<i>980</i>	<i>938</i>	<i>919</i>	<i>899</i>	-8.1%	-2.2%
Number of branches:	1 196	1 198	1 199	1 177	1 181	-1.3%	+0.3%
- retail	1 132	1 134	1 135	1 138	1 142	+0.9%	+0.4%
- corporate	64	64	64	39	39	-39.1%	0.0%
Number of agencies	1 210	1 208	1 202	1 149	1 115	-7.9%	-3.0%
Number of ATMs	2 569	2 803	2 911	2 945	2 960	+15.2%	+0.5%
Number of active IKO applications ('000)	x	x	11	39	57	x	+46.2%
Number of eService terminals	65 061	68 877	71 706	79 928	84 020	+29.1%	+5.1%



Bank Polski

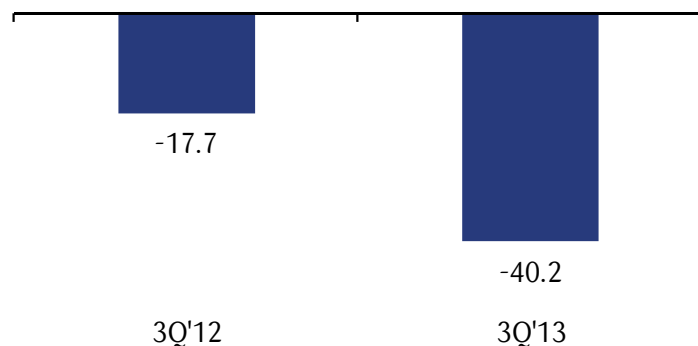
Executive summary	3
Financial results	14
Risk management	27
Business activity	32
Appendix	40

# Ukraine operations - Kredobank

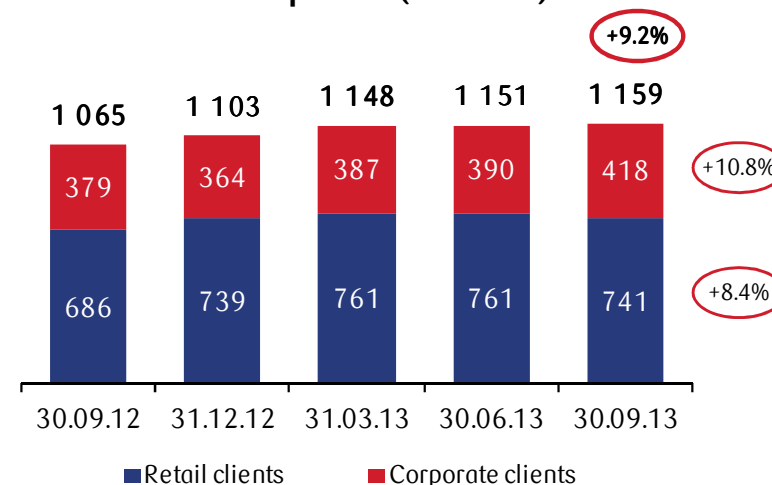


Bank Polski

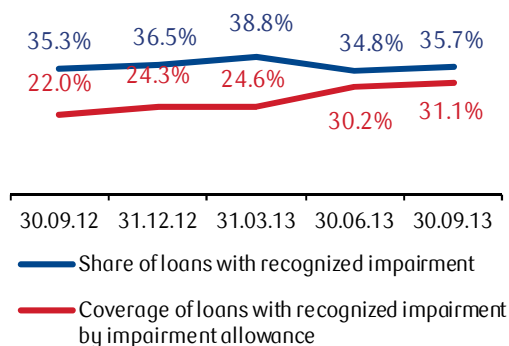
### Net financial result of Kredobank (PLN mn)



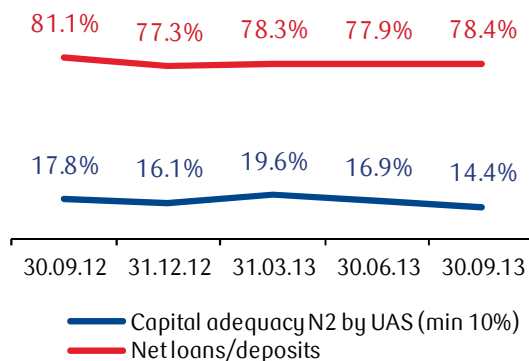
### Total deposits (PLN mn)



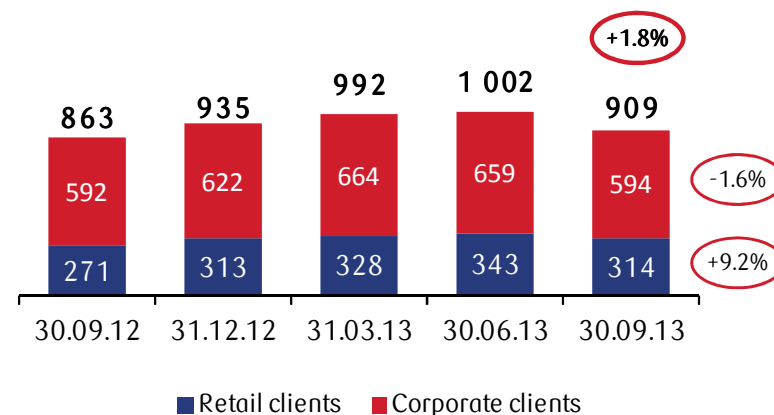
### Quality of loan portfolio



### 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)	3Q'12	3Q'13	Change y/y
Net interest income	6 019 658	4 843 926	-19.5%
Net fee and commission income	2 264 378	2 351 047	+3.8%
Other income	431 529	332 341	-23.0%
Dividend income	8 081	5 766	-28.6%
Net income from financial instruments designated at fair value	48 228	34 357	-28.8%
Gains less losses from investment securities	21 990	64 778	+194.6%
Net foreign exchange gains	233 387	142 388	-39.0%
Net other operating income and expense	119 843	85 052	-29.0%
<b>Total income items</b>	<b>8 715 565</b>	<b>7 527 314</b>	<b>-13.6%</b>
Net impairment allowance and write-offs	(1 758 912)	(1 354 682)	-23.0%
Administrative expenses	(3 377 774)	(3 341 097)	-1.1%
Share in net profit (losses) of associates and jointly controlled entities	14 427	(3 428)	n.m.
<b>Profit before income tax</b>	<b>3 593 306</b>	<b>2 828 107</b>	<b>-21.3%</b>
Income tax expense	(719 734)	(539 790)	-25.0%
Net profit attributable to non-controlling shareholders	(805)	(388)	-51.8%
<b>Net profit attributable to the parent company</b>	<b>2 874 377</b>	<b>2 288 705</b>	<b>-20.4%</b>

# Profit and loss of the PKO Bank Polski Group by quarters



Bank Polski

Profit and loss account (PLN '000)	Q3'12	Q4'12	Q1'13	Q2'13	Q3'13	Q3'13/ Q3'12	Q3'13/ Q2'13
Net interest income	1 977 413	1 863 128	1 693 839	1 572 391	1 577 696	-20.2%	+0.3%
Net fee and commission income	761 679	806 824	770 179	772 399	808 469	+6.1%	+4.7%
Other income	185 621	184 344	57 785	133 215	141 341	-23.9%	+6.1%
Dividend income	2 004	-	-	5 295	471	-76.5%	-91.1%
Net income from financial instruments designated at fair value	32 843	45 960	(155)	3 453	31 059	-5.4%	+799.5%
Gains less losses from investment securities	17 348	57 823	28 324	33 029	3 425	-80.3%	-89.6%
Net foreign exchange gains	88 732	22 750	(12 225)	87 168	67 445	-24.0%	-22.6%
Net other operating income and expense	44 694	57 811	41 841	4 270	38 941	-12.9%	+812.0%
<b>Total income items</b>	<b>2 924 713</b>	<b>2 854 296</b>	<b>2 521 803</b>	<b>2 478 005</b>	<b>2 527 506</b>	<b>-13.6%</b>	<b>+2.0%</b>
Net impairment allowance and write-offs	(657 627)	(566 316)	(447 983)	(418 936)	(487 763)	-25.8%	+16.4%
Administrative expenses	(1 131 433)	(1 240 623)	(1 119 727)	(1 105 767)	(1 115 603)	-1.4%	+0.9%
Share in net profit (losses) of associates and jointly controlled entities	8 399	4 598	(2 337)	(12 316)	11 225	+33.6%	-191.1%
<b>Profit before income tax</b>	<b>1 144 052</b>	<b>1 051 955</b>	<b>951 756</b>	<b>940 986</b>	<b>935 365</b>	<b>-18.2%</b>	<b>-0.6%</b>
Income tax expense	(223 285)	(178 084)	(170 511)	(188 274)	(181 005)	-18.9%	-3.9%
Net profit attributable to non-controlling shareholders	(249)	(373)	(177)	(97)	(114)	-54.2%	+17.5%
<b>Net profit attributable to the parent company</b>	<b>921 016</b>	<b>874 244</b>	<b>781 422</b>	<b>752 809</b>	<b>754 474</b>	<b>-18.1%</b>	<b>+0.2%</b>

# Consolidated statement of financial position of the PKO Bank Polski Group



Bank Polski

Assets (PLN '000)	30.09.12	31.12.12	31.03.13	30.06.13	30.09.13	Change y/y	Change q/q
Cash and balances with the Central Bank	6 718 060	10 289 451	7 759 248	5 658 046	7 602 630	+13.2%	+34.4%
Amounts due from other banks	5 163 845	3 392 486	1 729 557	3 243 295	5 208 080	+0.9%	+60.6%
Trading assets	763 014	277 566	2 627 211	3 376 991	2 024 575	+165.3%	-40.0%
Derivative financial instruments	3 533 570	3 860 561	3 463 573	3 324 374	2 814 162	-20.4%	-15.3%
Financial assets designated at fair value through P&L	16 220 526	12 629 711	14 114 362	12 661 245	12 503 572	-22.9%	-1.2%
Loans and advances to customers	142 705 562	143 875 644	147 491 817	149 100 583	150 041 012	+5.1%	+0.6%
Investment securities available for sale and securities held to maturity	11 539 407	12 252 101	12 797 794	13 769 975	14 158 388	+22.7%	+2.8%
Tangible fixed assets	2 524 543	2 650 597	2 645 938	2 662 292	2 616 003	+3.6%	-1.7%
Other assets	4 078 835	4 251 511	4 503 880	4 422 348	4 649 638	+14.0%	+5.1%
<b>TOTAL ASSETS</b>	<b>193 247 362</b>	<b>193 479 628</b>	<b>197 133 380</b>	<b>198 219 149</b>	<b>201 618 060</b>	<b>+4.3%</b>	<b>+1.7%</b>

Liabilities and equity (PLN '000)	30.09.12	31.12.12	31.03.13	30.06.13	30.09.13	Change y/y	Change q/q
Amounts due to the central bank	2 856	3 128	2 909	3 858	4 149	+45.3%	+7.5%
Amounts due to banks	3 632 951	3 733 947	4 056 803	3 876 976	5 728 855	+57.7%	+47.8%
Derivative financial instruments	3 356 751	3 964 098	3 577 349	3 684 673	3 283 884	-2.2%	-10.9%
Amounts due to customers	145 444 287	146 193 570	148 446 145	149 242 633	150 857 210	+3.7%	+1.1%
Debt securities in issue	10 766 512	10 270 783	10 924 388	10 939 240	10 658 002	-1.0%	-2.6%
Subordinated liabilities	3 244 162	1 631 256	1 604 076	1 624 355	1 603 338	-50.6%	-1.3%
Other liabilities	3 029 836	2 975 196	3 099 346	5 181 813	5 031 012	+66.0%	-2.9%
Total equity	23 770 007	24 707 650	25 422 364	23 665 601	24 451 610	+2.9%	+3.3%
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>193 247 362</b>	<b>193 479 628</b>	<b>197 133 380</b>	<b>198 219 149</b>	<b>201 618 060</b>	<b>+4.3%</b>	<b>+1.7%</b>

# Profit and loss of the PKO Bank Polski



Bank Polski

Profit and loss account (PLN '000)	3Q'12	3Q'13	Change y/y
Net interest income	5 936 895	4 751 610	-20.0%
Net fees and commission income	2 070 437	2 095 589	+1.2%
Other income	403 000	335 551	-16.7%
Dividend income	93 200	79 038	-15.2%
Net income from financial instruments designated at fair value	47 610	34 020	-28.5%
Gains less losses from investment securities	23 242	64 196	+176.2%
Net foreign exchange gains	231 211	138 917	-39.9%
Net other operating income and expense	7 737	19 380	+150.5%
<b>Total income items</b>	<b>8 410 332</b>	<b>7 182 750</b>	<b>-14.6%</b>
Net impairment allowance and write-offs	(1 737 425)	(1 365 705)	-21.4%
Administrative expenses	(3 068 621)	(3 043 916)	-0.8%
<b>Profit before income tax</b>	<b>3 604 286</b>	<b>2 773 129</b>	<b>-23.1%</b>
Income tax expense	(704 312)	(519 582)	-26.2%
<b>Net profit</b>	<b>2 899 974</b>	<b>2 253 547</b>	<b>-22.3%</b>

# Profit and loss of the PKO Bank Polski by quarters



Bank Polski

Profit and loss account (PLN '000)	Q3'12	Q4'12	Q1'13	Q2'13	Q3'13	Q3'13/ Q3'12	Q3'13/ Q2'13
Net interest income	1 950 160	1 835 541	1 664 973	1 541 366	1 545 271	-20.8%	+0.3%
Net fees and commission income	691 249	734 147	708 698	674 010	712 881	+3.1%	+5.8%
Other income	141 101	134 132	23 101	198 587	113 863	-19.3%	-42.7%
Dividend income	2 004	-	-	78 567	471	-76.5%	-99.4%
Net income from financial instruments designated at fair value	32 814	47 482	504	3 347	30 169	-8.1%	+801.4%
Gains less losses from investment securities	17 668	58 363	27 568	33 205	3 423	-80.6%	-89.7%
Net foreign exchange gains	88 238	22 942	(13 608)	86 843	65 682	-25.6%	-24.4%
Net other operating income and expense	377	5 345	8 637	(3 375)	14 118	+3644.8%	n.m.
<b>Total income items</b>	<b>2 782 510</b>	<b>2 703 820</b>	<b>2 396 772</b>	<b>2 413 963</b>	<b>2 372 015</b>	<b>-14.8%</b>	<b>-1.7%</b>
Net impairment allowances	(645 386)	(721 165)	(430 046)	(453 636)	(482 023)	-25.3%	+6.3%
General administrative expenses	(1 025 908)	(1 124 136)	(1 022 736)	(1 008 708)	(1 012 472)	-1.3%	+0.4%
<b>Profit before income tax</b>	<b>1 111 216</b>	<b>858 519</b>	<b>943 990</b>	<b>951 619</b>	<b>877 520</b>	<b>-21.0%</b>	<b>-7.8%</b>
Income tax expense	(216 928)	(165 876)	(165 380)	(181 710)	(172 492)	-20.5%	-5.1%
<b>Net profit</b>	<b>894 288</b>	<b>692 643</b>	<b>778 610</b>	<b>769 909</b>	<b>705 028</b>	<b>-21.2%</b>	<b>-8.4%</b>

# Basic information

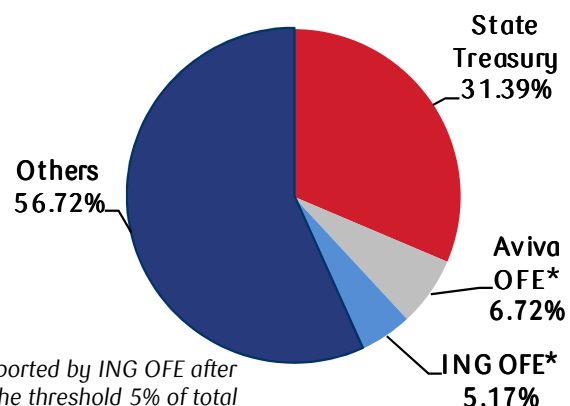


Bank Polski

## Basic information on shares

- **Listed:** Warsaw Stock Exchange since 10.11.2004 r.
- **Indices:** WIG, WIG20, WIG30, WIG Banki
- **ISIN:** PLPKO0000016
- **Bloomberg:** PKO PW
- **Reuters:** PKOB WA

## Shareholders structure Number of shares: 1 250 mn



\*) Share reported by ING OFE after exceeding the threshold 5% of total number of votes at GM of PKO Bank Polski by ING OFE (as at 24.07.12) and Aviva OFE (as at 29.01.13)

## Dividend policy adopted on 4<sup>th</sup> 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

## Rating

Rating Agency:	Long-term	Short-term	Financial strength	Support
Moody's	A2 with negative outlook	P-1	C- with negative outlook	
Standard&Poor's	A- with negative outlook	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	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%

# 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 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.

**Contact:**

PKO Bank Polski SA Investor Relations Office

Lidia Wilk – Director

Pulawska 15

02-515 Warsaw

Poland

Tel: +48 22 521 91 82

Fax: +48 22 521 91 83

E-mail: [lidia.wilk@pkobp.pl](mailto:lidia.wilk@pkobp.pl)

E-mail: [ir@pkobp.pl](mailto:ir@pkobp.pl)

PKO Bank Polski website: [www.pkobp.pl](http://www.pkobp.pl)



Bank Polski

**Investors calendar:**

3 March 2014	Publication of Annual Report 2013
--------------	-----------------------------------