



# **PKO Bank Polski Results 1-3Q 2007**

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## SUMMARY

**PKO BP reports very good results for the first three quarters of 2007**

- **Historically high level of consolidated net profit – PLN 745 mln in the 3rd quarter 2007, more than PLN 2 bln since the beginning of the year**
- **17% growth of revenues and 6% growth of costs (yoy)**
- **Drop of cost to income ratio – from 57.4% to 51.9% (yoy)**
- **Good performance of ROE and ROA ratios – 25.2% and 2.5% respectively**
- **Significant increase of outstanding loans and customer savings – by 25.7% and 15.5% respectively (yoy)**
- **Market leader in terms of new sales of mutual funds – PLN 8 bln new AuM acquired**
- **First positive outcomes of implementation of the new strategy**



## HIGHLIGHTS

		3Q 2006	3Q 2007	Change
<b>Net profit</b>	PLN mln	<b>1.566</b>	<b>2.029</b>	<b>29.5%</b>
<b>ROE – net</b>	%	<b>21.4</b>	<b>25.2</b>	<b>+3.8 p.p.</b>
<b>Gross profit</b>	PLN mln	<b>1.999</b>	<b>2.543</b>	<b>27.2%</b>
<b>C/I</b>	%	<b>57.4</b>	<b>51.9</b>	<b>-5.5 p.p.</b>
<b>C/I (Bank)</b>	%	<b>58.1</b>	<b>51.4</b>	<b>-6.7 p.p.</b>
<b>Outstanding loans (Bank)</b>	PLN mln	<b>56.569</b>	<b>71.088</b>	<b>25.7%</b>
<b>Deposits (Bank)</b>	PLN mln	<b>82.554</b>	<b>86.845</b>	<b>5.2%</b>
<b>Assets</b>	PLN mln	<b>102.027*</b>	<b>108.959</b>	<b>6.8%</b>
<b>Dividends**</b>	PLN mln	<b>800</b>	<b>980</b>	<b>22.5%</b>

\* Assets for 31.12.2006

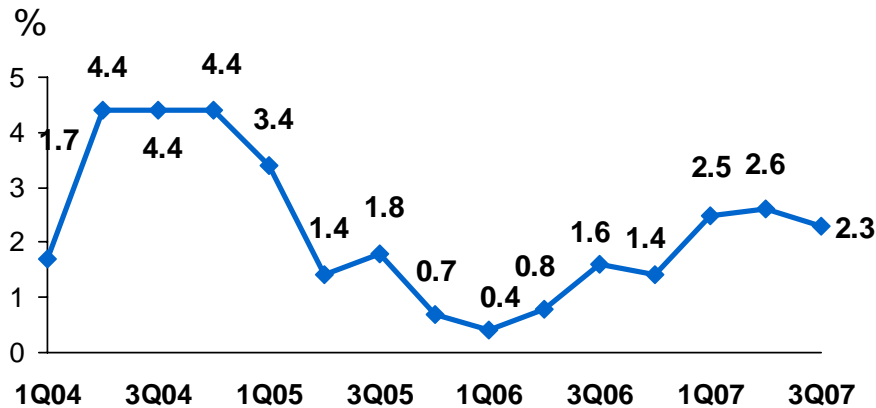
\*\* Dividends paid in Q3  
Number of shares: 1 mln



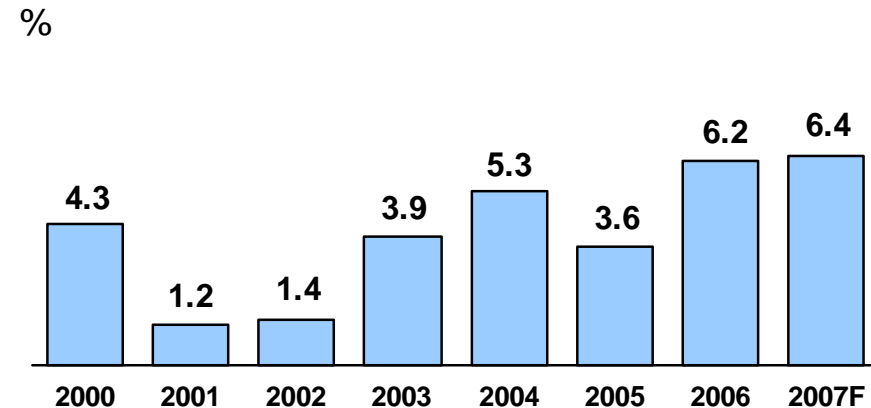
# MACROECONOMIC ENVIRONMENT

Sound macroeconomic fundamentals are a basis for sustained economic growth

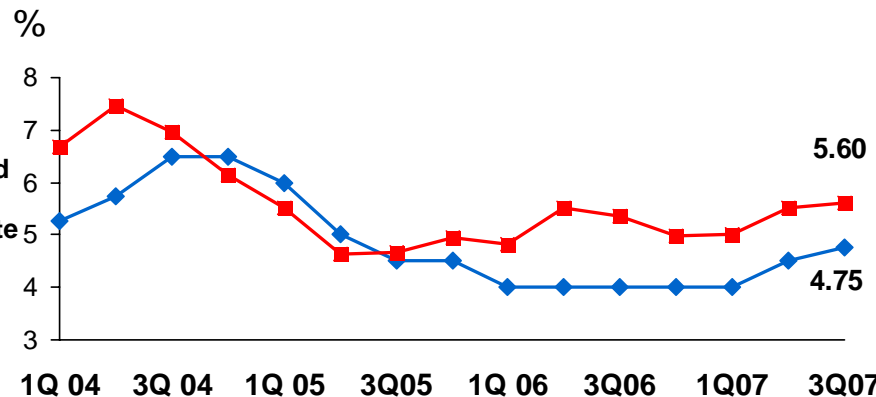
Inflation rate



GDP growth rate



Interest rates,



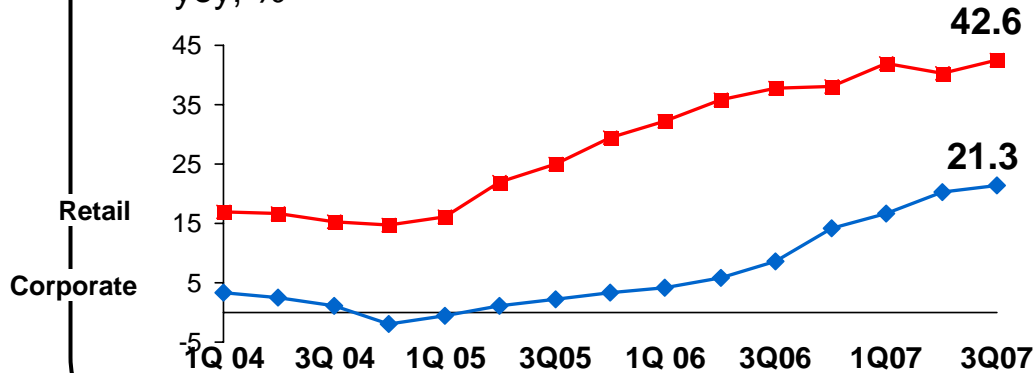
- **Favourable macroeconomic conditions** - stable and rapid GDP growth accompanied by stable and low inflation
- High demand stimulated by **strong increase in households disposable income and a decline of unemployment**
- **Slight increase of interest rates** reflects recent monetary policy tightening



# FINANCIAL SECTOR DEVELOPMENT

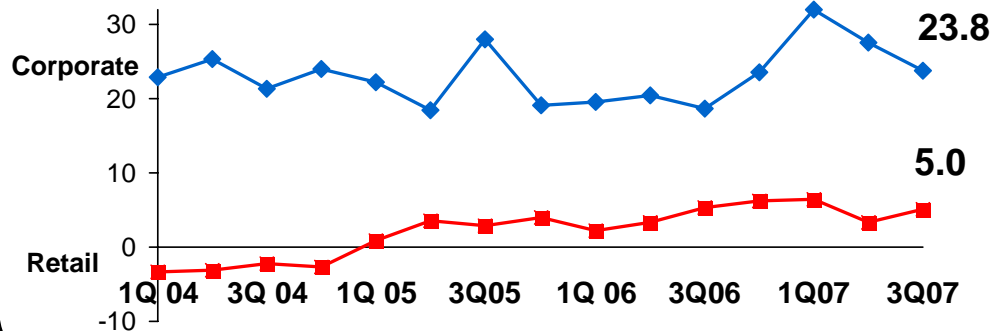
Good economic performance translates into financial sector development

Loans growth rate,  
yoy, %

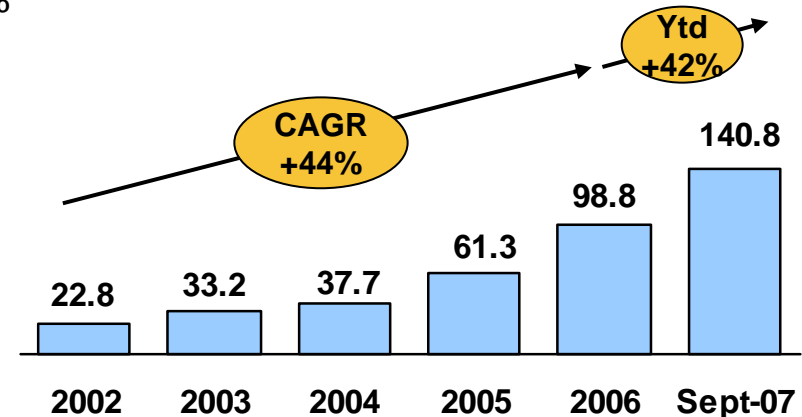


- Retail lending is significantly growing (2007 yoy growth rates exceeded 40%). It is fuelled mainly by mortgage lending and consumer finance.
- In mid-2005 after a period of stagnation corporate lending started to grow. Recent growth rates exceed 20% (yoy).
- Deposits are increasing much slower than loans. In 2007 growth of retail deposits declined as customers switch to invest in mutual funds.

Deposits growth rate  
yoy, %



Mutual funds market shares,  
%

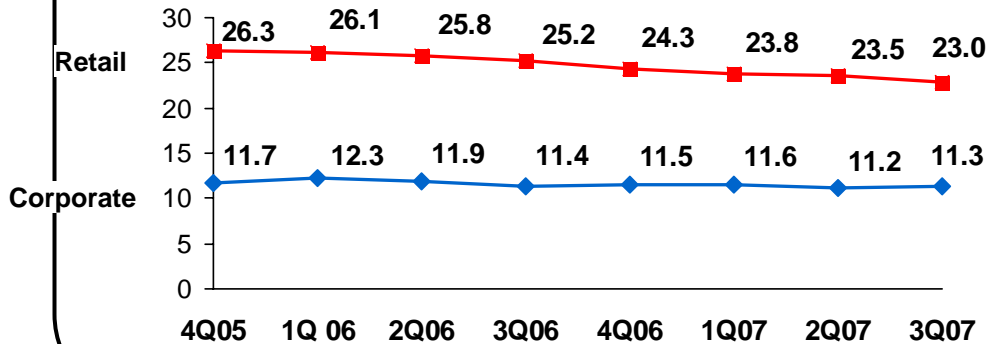




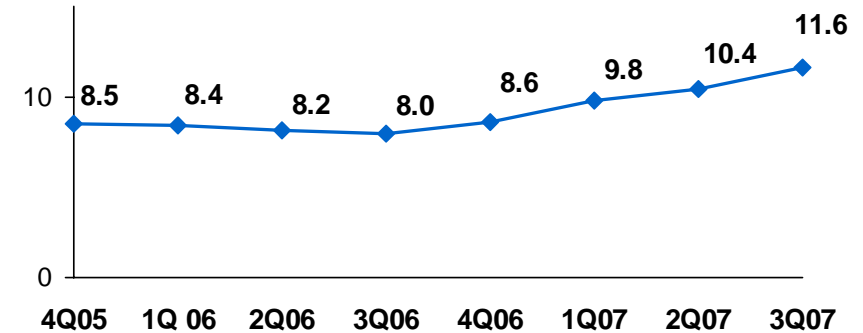
## PKO BP MARKET SHARES

On a fast developing and competitive market PKO BP stabilizes its market shares

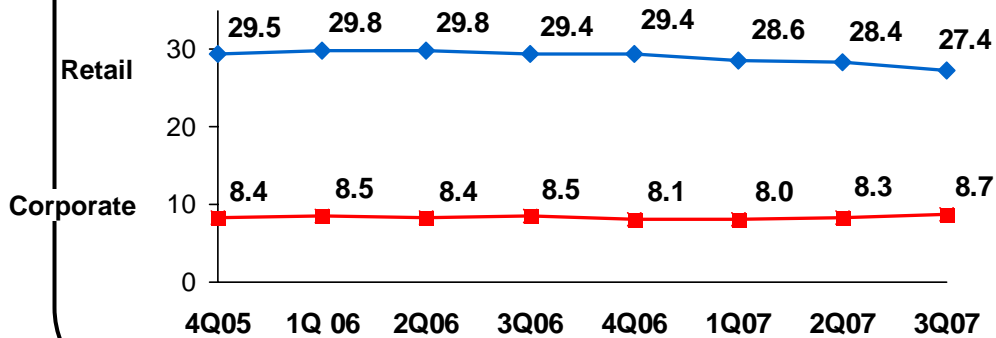
Loans market shares,  
%



Mutual funds market shares,  
%



Deposits market shares  
%



- As most of large universal banks PKO BP slightly lost market shares in loans and deposits. However still **keeps the position of the market leader in retail banking and a very strong position in corporate banking**
- **PKO BP radically increased AuM in mutual funds. It resulted in increase of the market share by 3 p.p. over the last quarters**

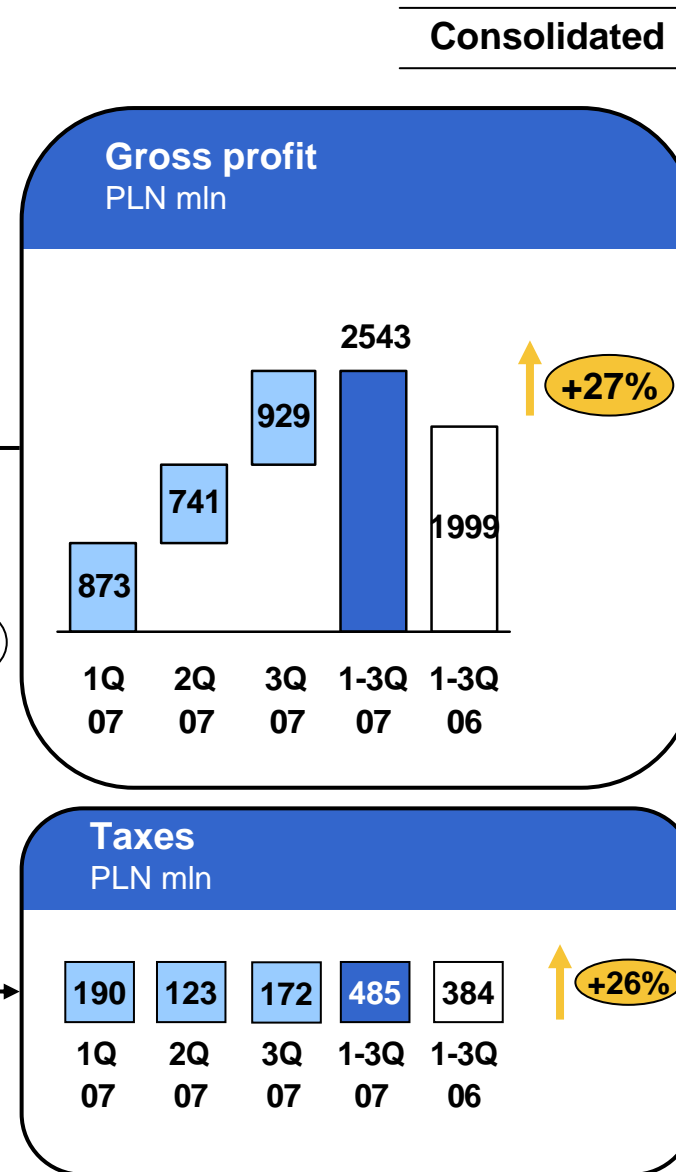
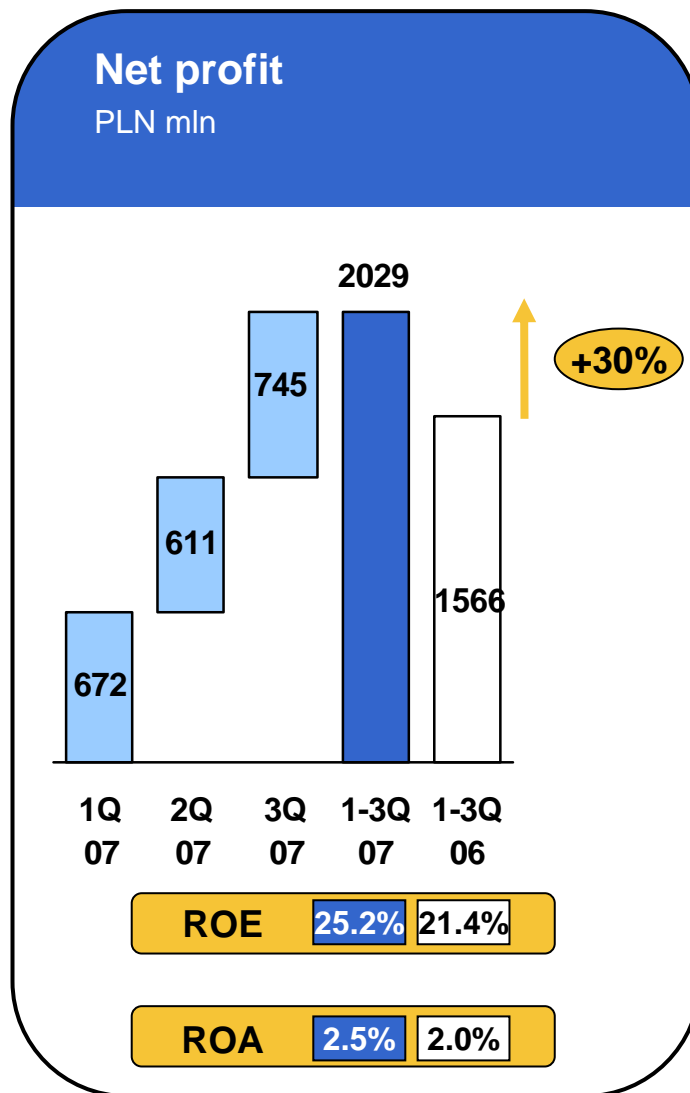


# FINANCIAL RESULTS – PROFITS

PKO BP Group reported strong increase of profits...

... YoY change

- **Record net profit** in the third quarter 2007.
- **More than PLN 2 bln** of net profit since the beginning of the year
- **ROE and ROA increase** up to 25.2% and 2.5% accordingly







# FINANCIAL RESULTS – REVENUES AND COSTS

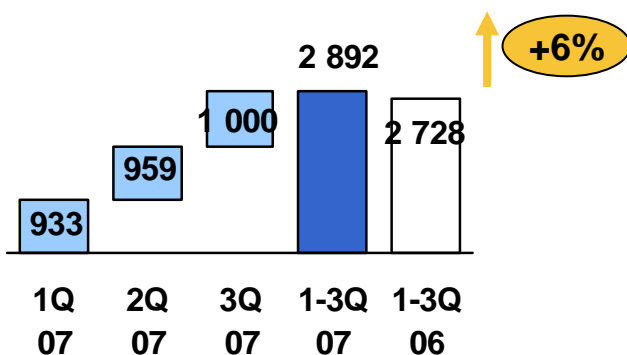
... which resulted from significant revenue growth and optimal cost management

Consolidated

... YoY change

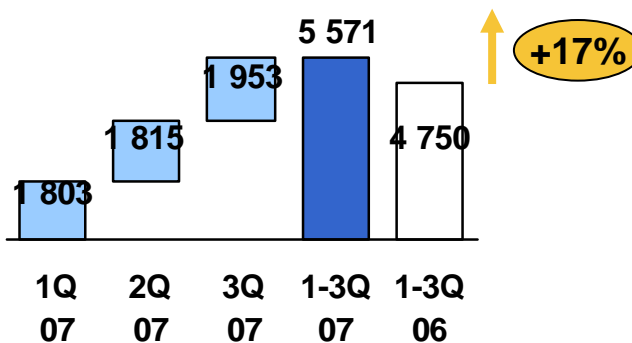
## Costs

PLN mln



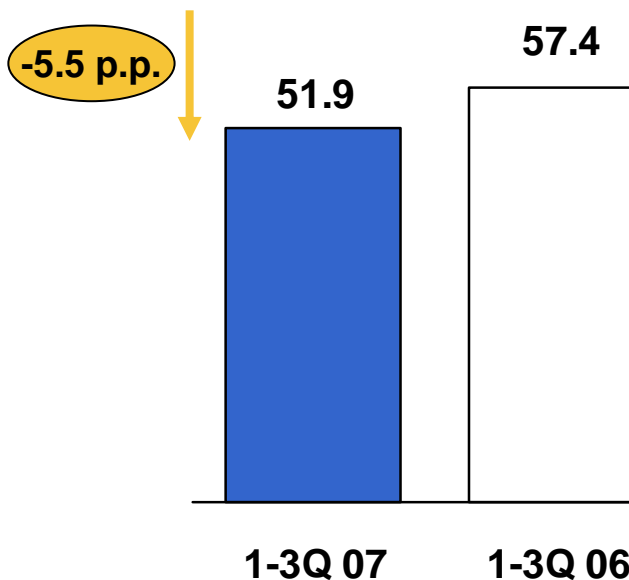
## Net revenues

PLN mln



## Cost to income ratio

PLN mln

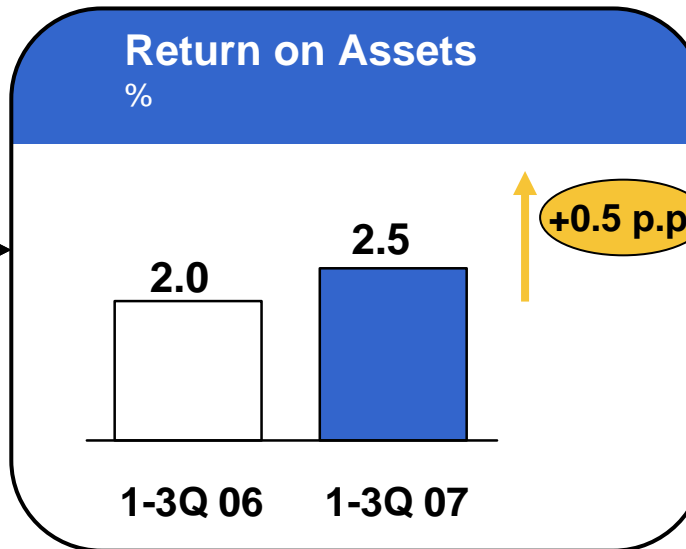
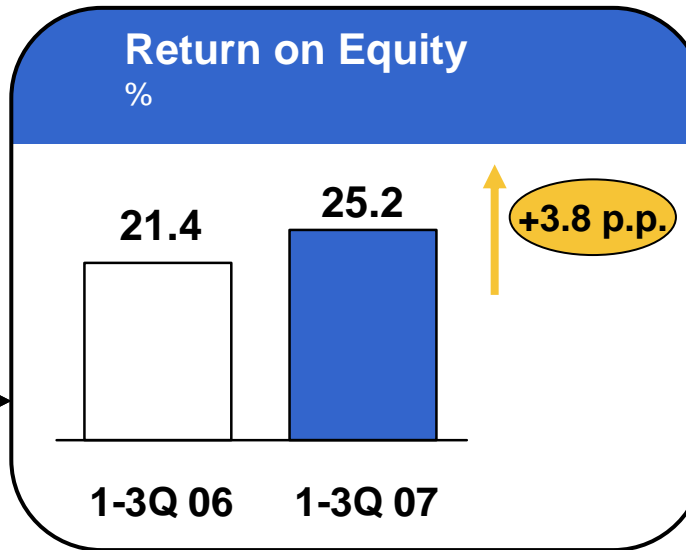
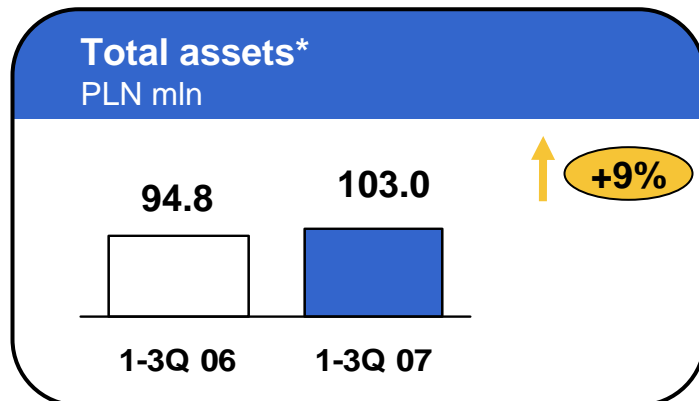
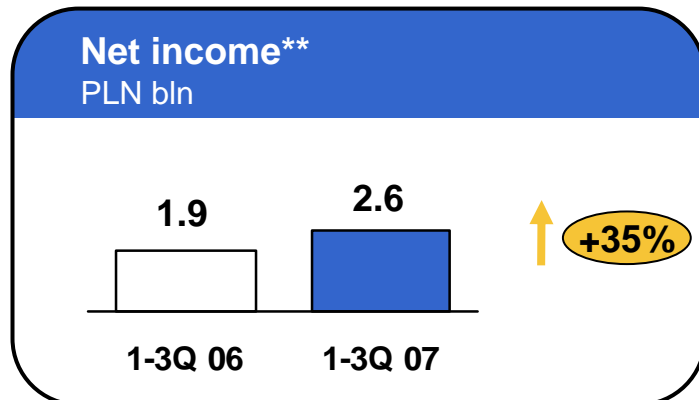
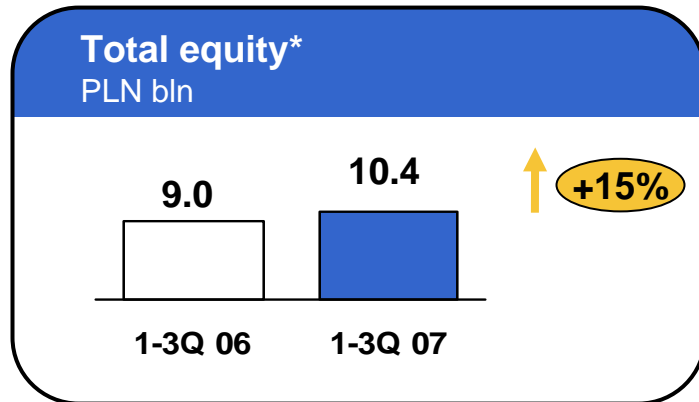


- 30% growth rate of net profit as a result of **strong revenue growth (more than 17% yoy)** and **limited increase of costs (6% yoy)**
- As a result **C/I ratio dropped by 5.5 percentage points** - from 57.4% to 51.9%



# PROFITABILITY

This led to significant profitability improvement



Consolidated

... YoY change

- PKO BP Group improved the profitability ratios from already high levels:
  - ROE from 21.4% to 25.2%
  - ROA from 2.0% to 2.5%
- This resulted mainly from a radical increase of net income








\* Average for the period of 1-3Q \*\* Annualized based on 1-3Q results



## NET PROFIT OF PKO BP GROUP

Bank PKO BP and its mutual fund subsidiary are the engines for the Group results

PLN mln	Activity	3Q 2006	3Q 2007	Change
<b>Consolidated net profit</b>		<b>1.566</b>	<b>2.029</b>	<b>+29.5%</b>

	Banking	1.492	1.928	+29.2%
 PKO TFI SA <small>Zarządzające Funduszami PKO/CREDIT SUISSE</small>	Mutual funds	44.1	88.8	+101.4%
	Pension fund	16.2	18.6	+14.5%
inteligo	Internet banking	21.1	15.3	-27.4%
	Payments	11.0	14.8	+34.7%
	Leasing	6.8	7.2	+6.3%
 <small>GRUPA PKO BP</small>	Banking in Ukraine	11.6	4.6	-60.0%
 PKO INWESTYCJE	Real estate development	-2.7	34.6	n.a.



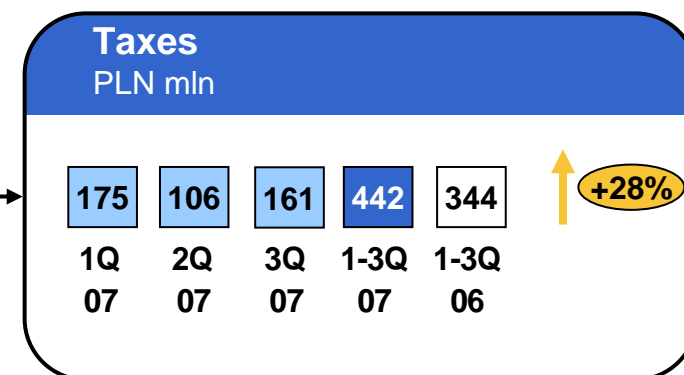
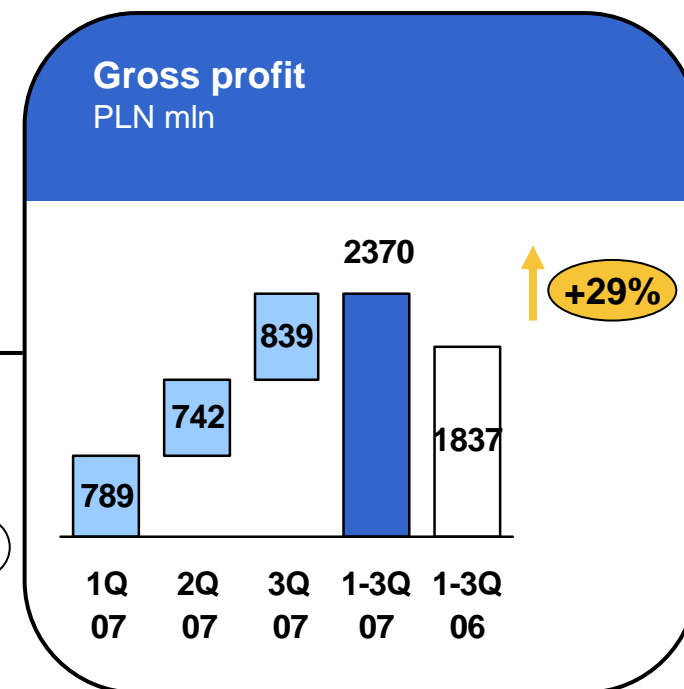
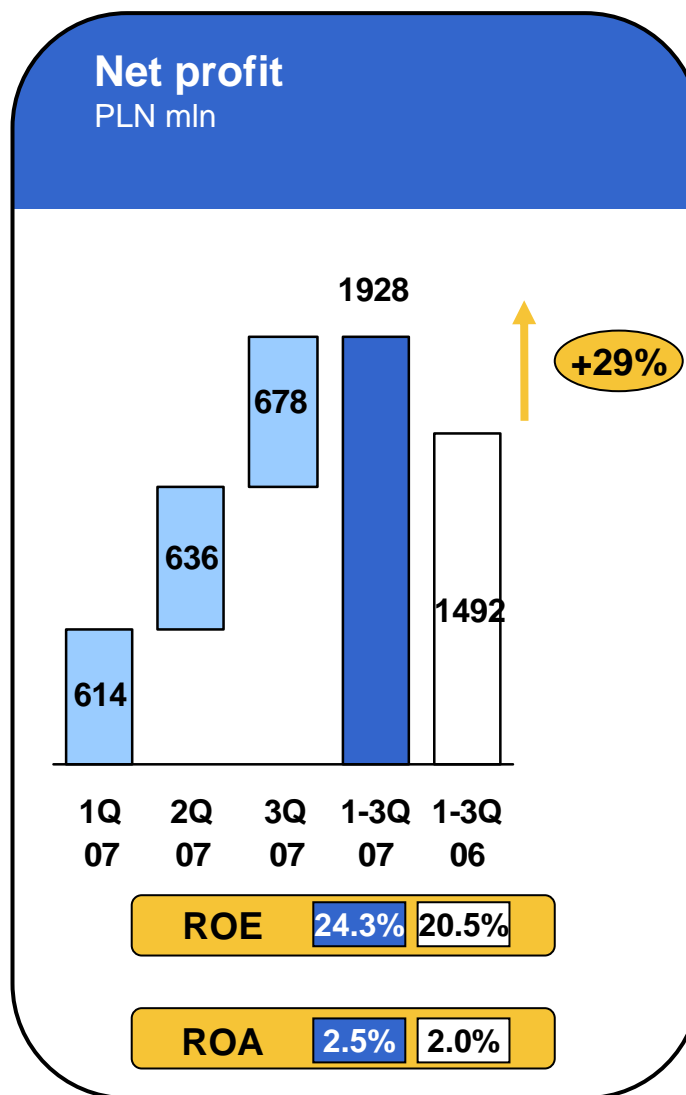
# FINANCIAL RESULTS – PROFITS

## Bank PKO BP systematically increases profits

- **Record net profit** in the third quarter 2007.
- Close to PLN 2 bln of net profit since the beginning of the year
- **ROE and ROA increase** up to 24.3% and 2.5% accordingly

... YoY change

Unconsolidated





# FINANCIAL RESULTS – REVENUES AND COSTS

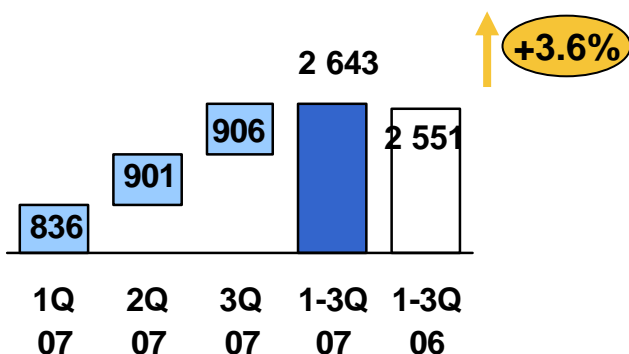
Efficient cost management resulted in a small increase of costs

Unconsolidated

... YoY change

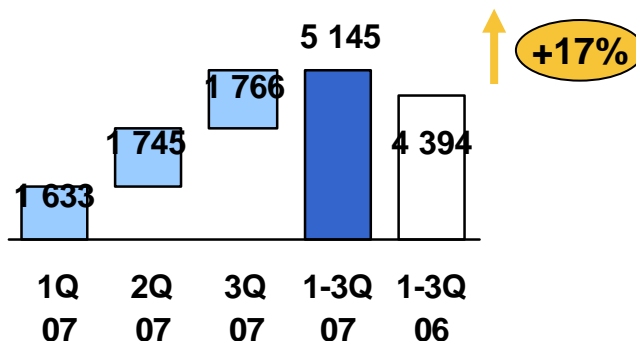
## Costs

PLN mln



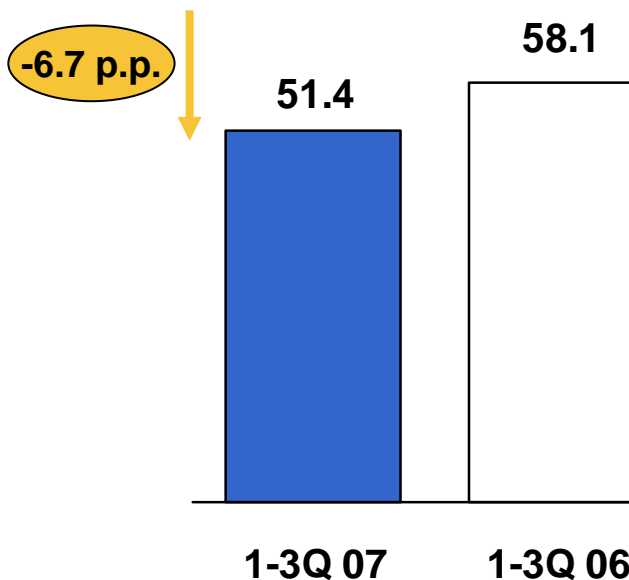
## Net revenues

PLN mln



## Cost to income ratio

PLN mln

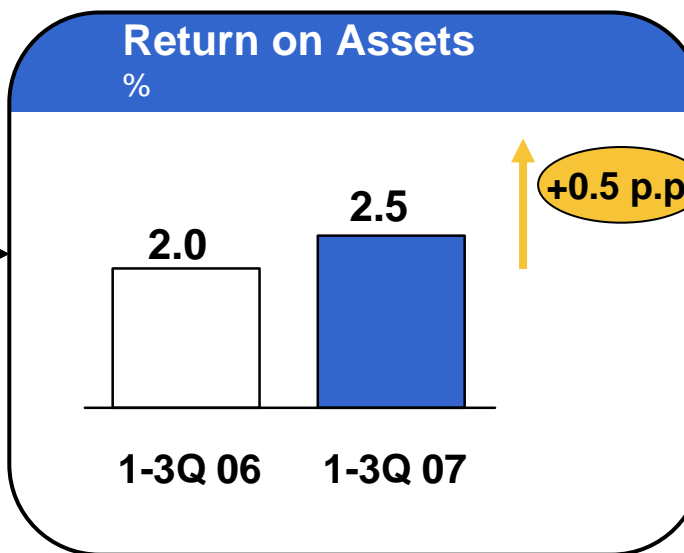
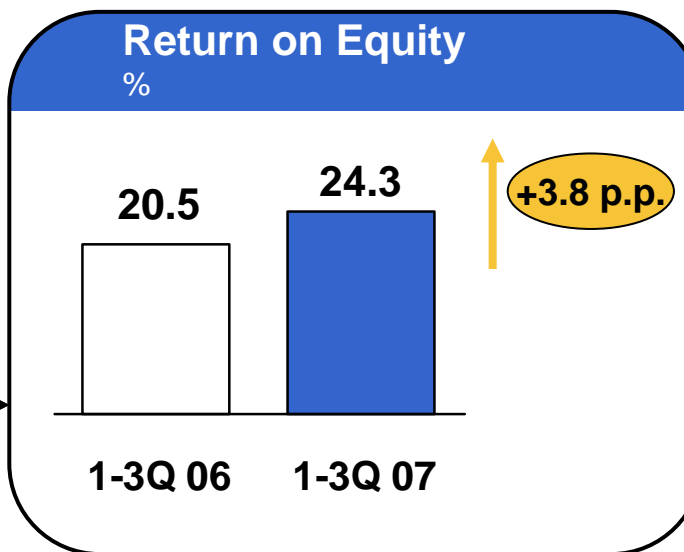
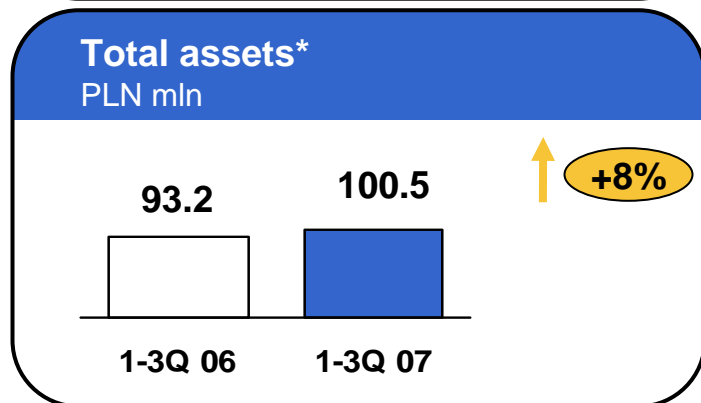
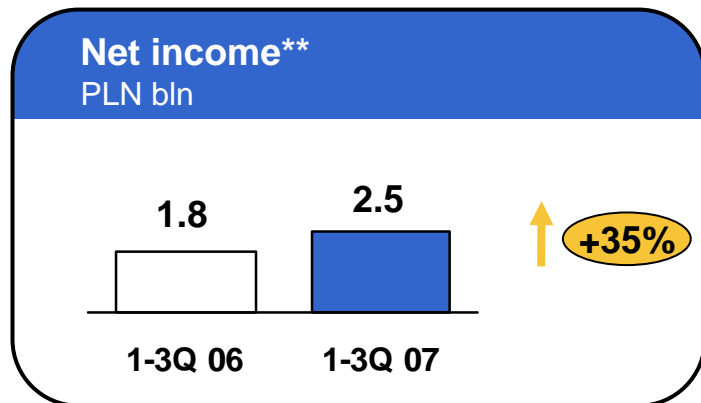
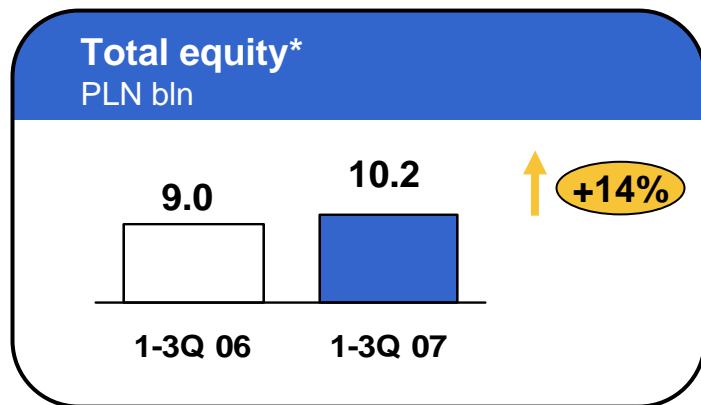


- 29% growth rate of net profit as a result of **strong revenue growth (more than 17% yoy)** and **limited increase of costs (3.6% yoy)**
- As a result **C/I ratio dropped by 6.7 percentage points** - from 58.1% to 51.4%



# PROFITABILITY

Substantial increase of profits translates in high profitability ratios



Unconsolidated

... YoY change

- PKO BP Bank improved the profitability ratios from already high levels:
  - ROE from 20.5% to 24.3%
  - ROA from 2.0% to 2.5%
- This resulted mainly from a radical increase of net income

\* Average for the period of 1-3Q \*\* Annualized based on 1-3Q results

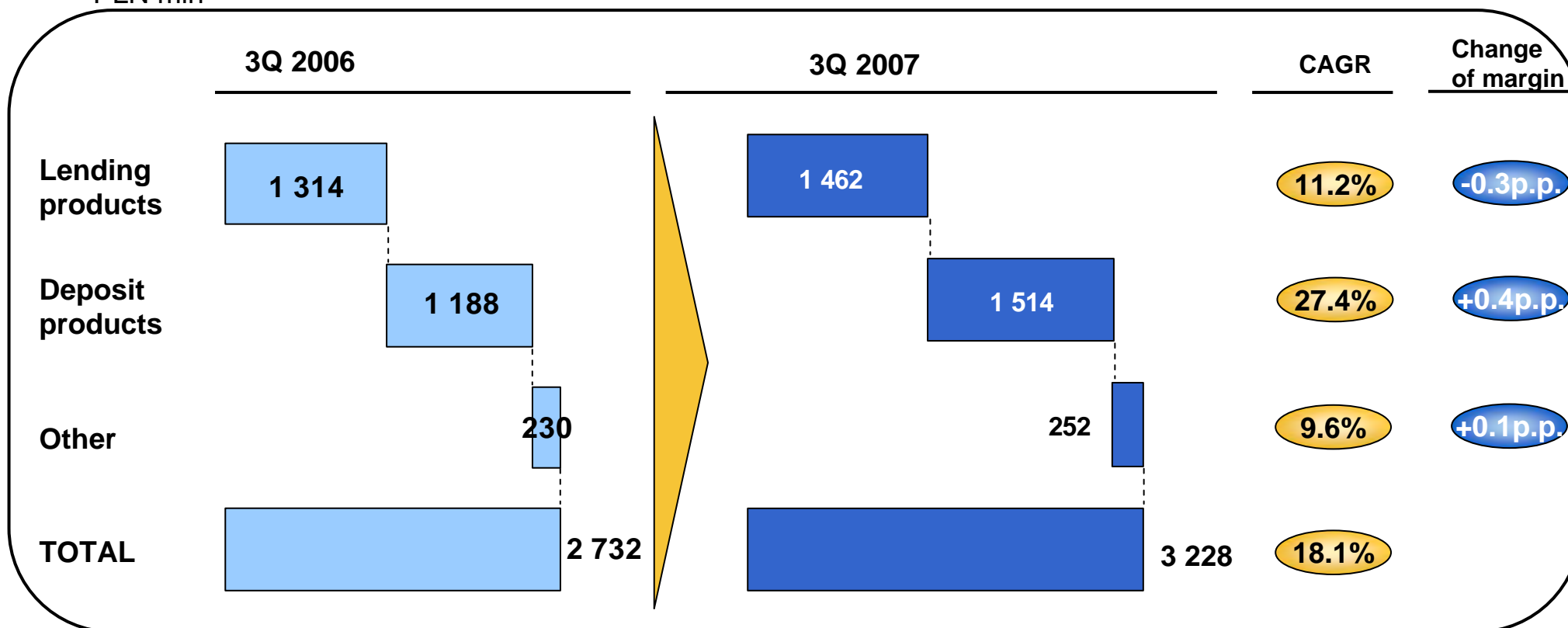


# NET INTEREST INCOME

Despite growing competition PKO BP avoided radical drop of margins and increased both NII...

Net interest income  
PLN mln

Unconsolidated



- **Deposit products brought the largest increase in NII** –mainly due to:
  - increase of margin (+0.4 p.p.)
  - growth of deposit base (+5.2%)
  - acquisition of new customers (+3.5% in terms of number of current accounts)
- Despite a drop of margins (-0.3 p.p.) **NII on lending products also significantly increased**

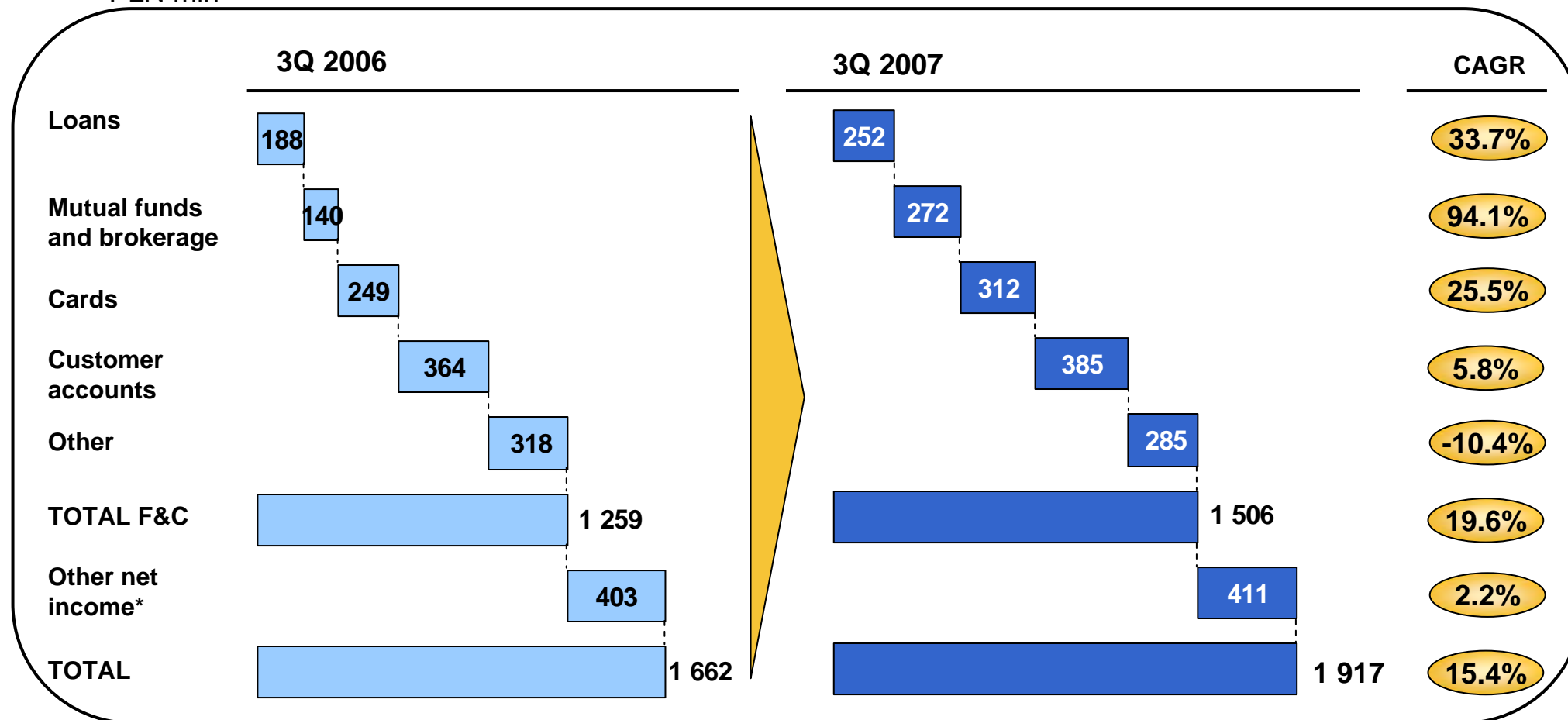


# NON- INTEREST INCOME

... and net income of f&c

Non-interest income  
PLN mln

Unconsolidated



- The fastest developing products – mutual funds and lending products (incl. credit cards) – represent the largest increase in net fees and charges

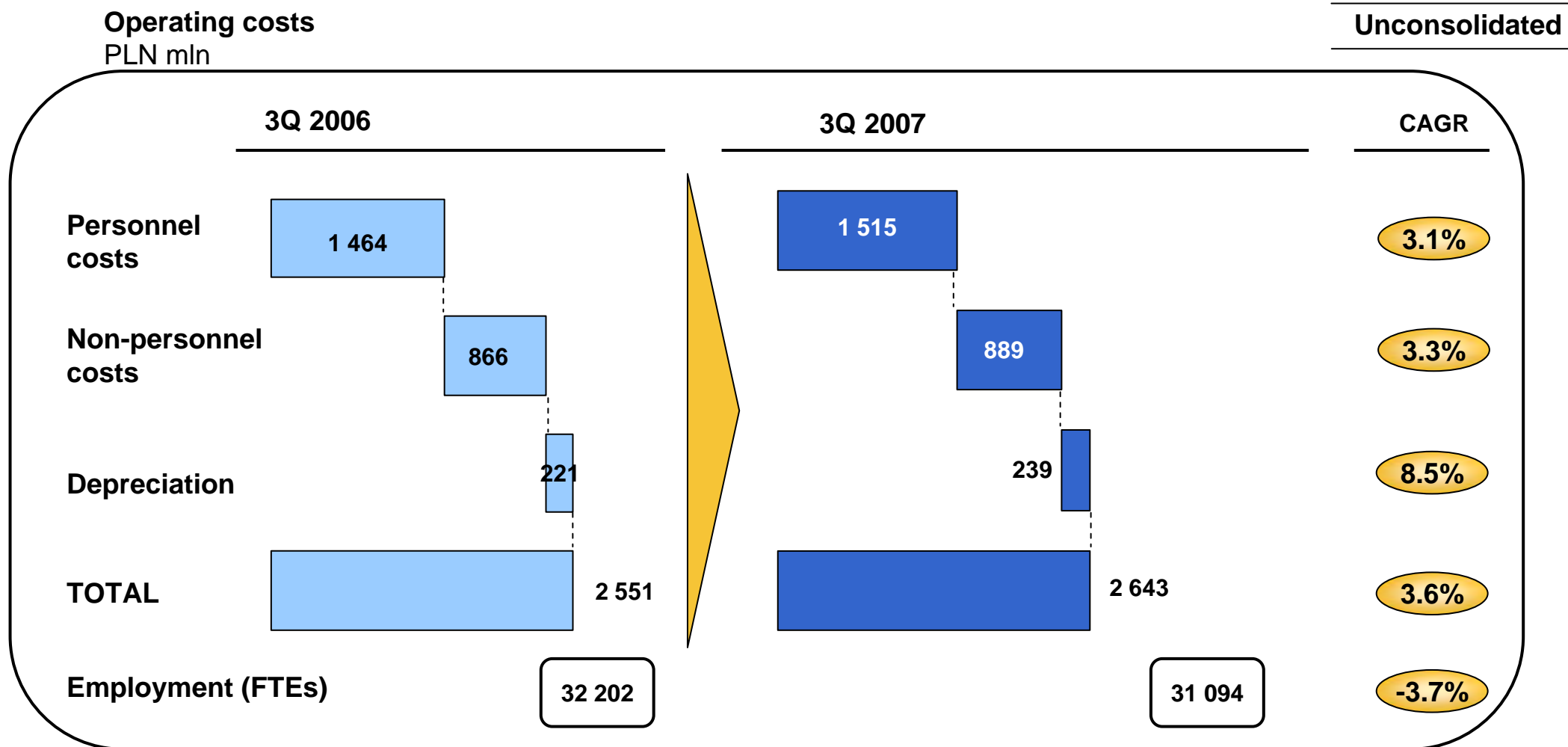
\* Dividend income, financial result, FX result





# COSTS

Simultaneously PKO BP managed to keep tight cost control...

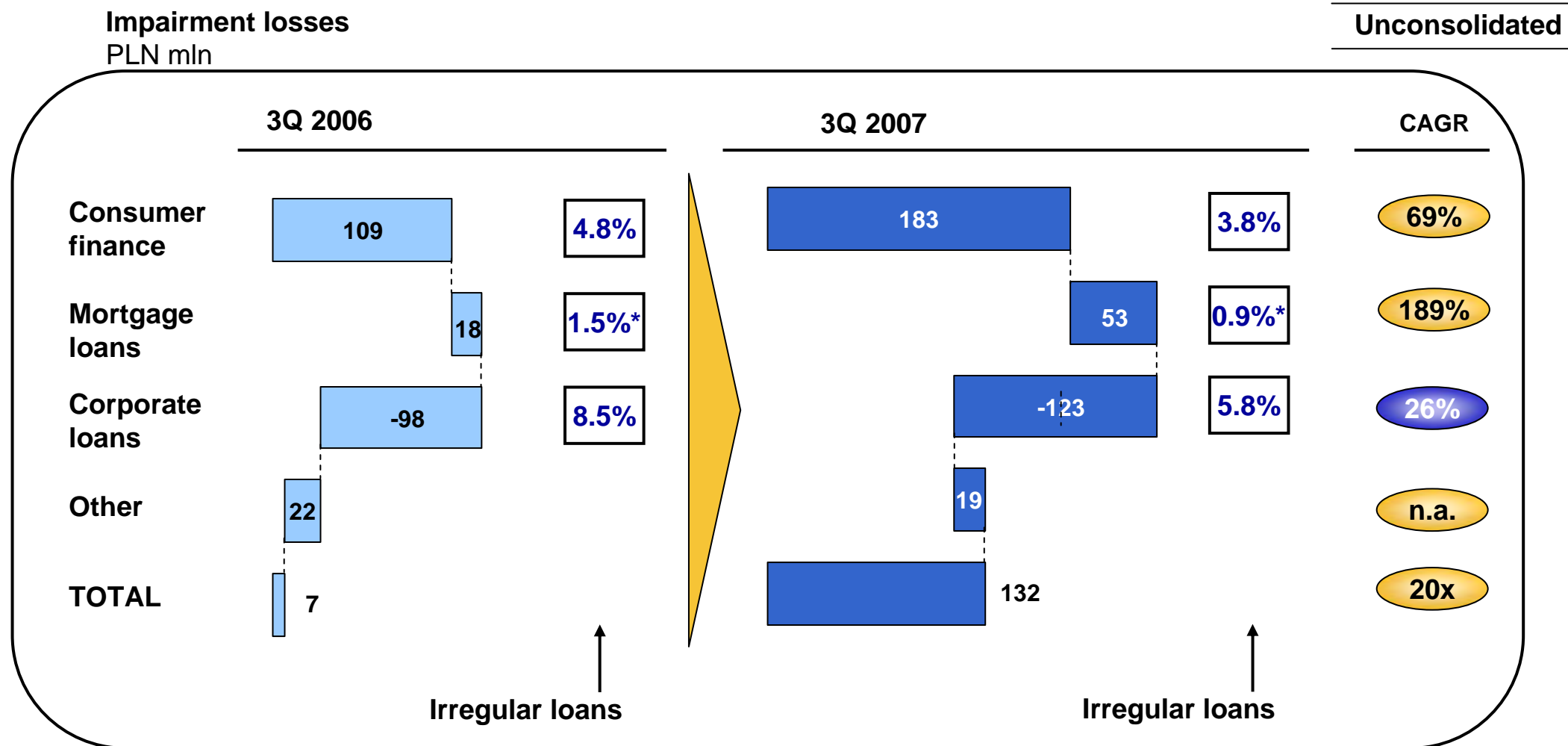


- Optimal cost management resulted in a **limited increase of operating costs**.
- **Employment reductions are still in place.** Number of employees is cut close to 4% annually



# Risk provisioning and impairment

...and improve overall quality of loan portfolio



- Impairment losses increase from a very low level in 2006
- However the ratio of irregular loans dropped in all product segments

\* New housing loans portfolio



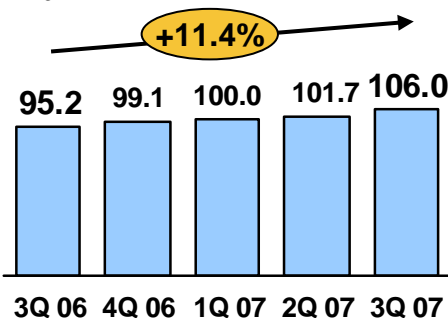
# BALANCE SHEET

PKO BP continues to increase outstanding loan volume and acquire new customer savings

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## Assets

PLN bln

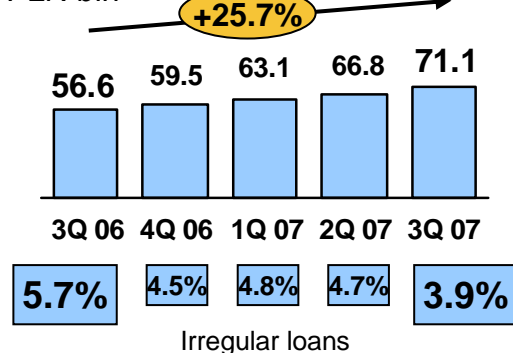


Market position

# 1

## Gross loans

PLN bln



Market share

Individuals

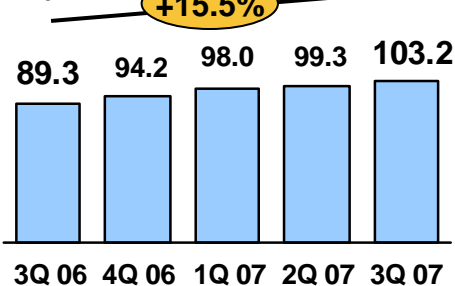
23.0%

Corporations

11.3%

## Customer savings

PLN bln



Market share

individuals

21.3%

Corporations

8.7%

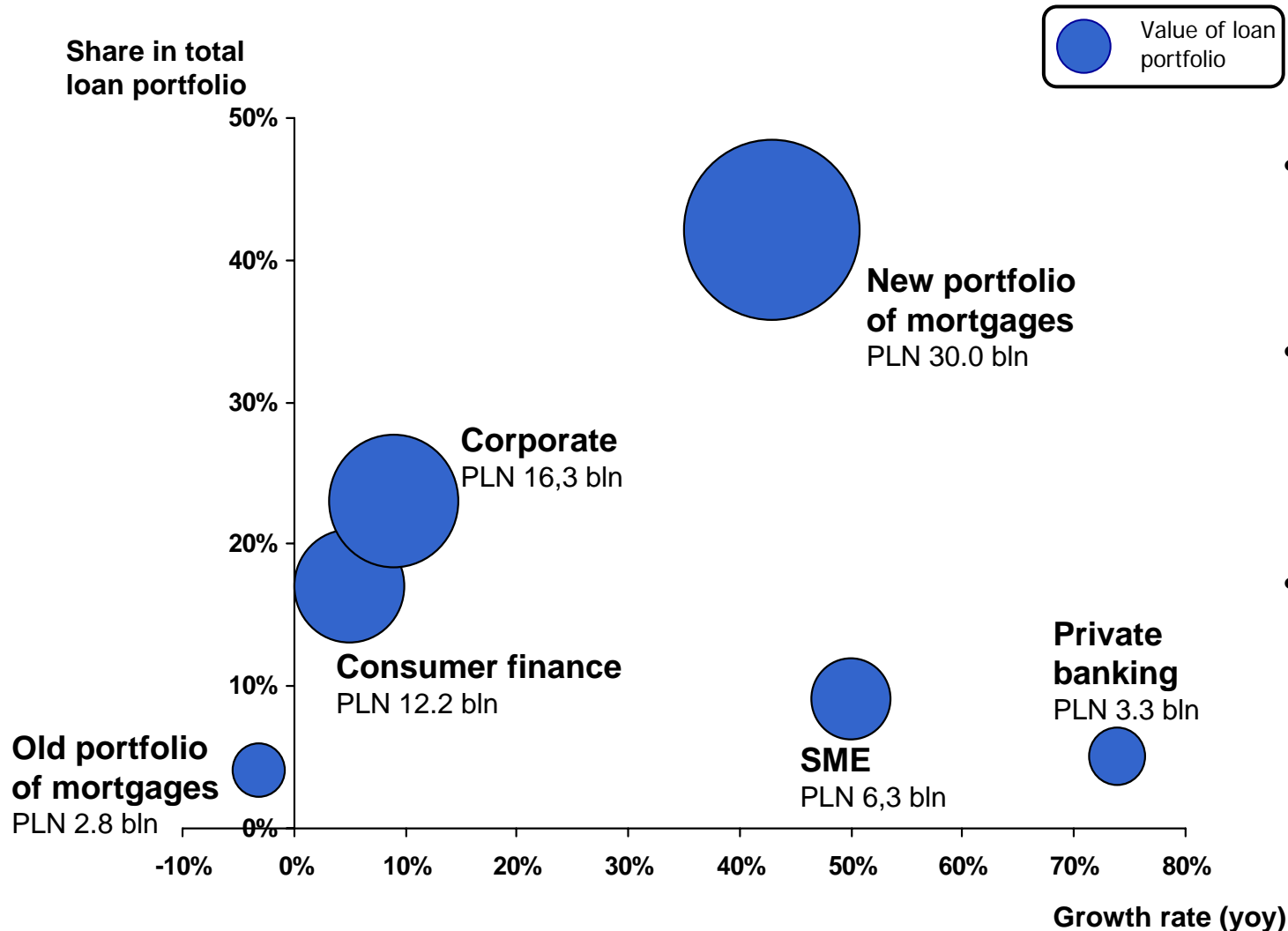
- Two-digit growth rate of assets
- Increase of outstanding loans by **25% annually**
- Improved quality of loan portfolio – ratio of irregular loans declined by close to 2 p.p.
- **Strong market position in retail segment** – market share in loans and savings much above 20%



## LENDING ACTIVITY – VOLUMES

Increase of loans resulted mainly from excellent performance of mortgage and corporate lending...

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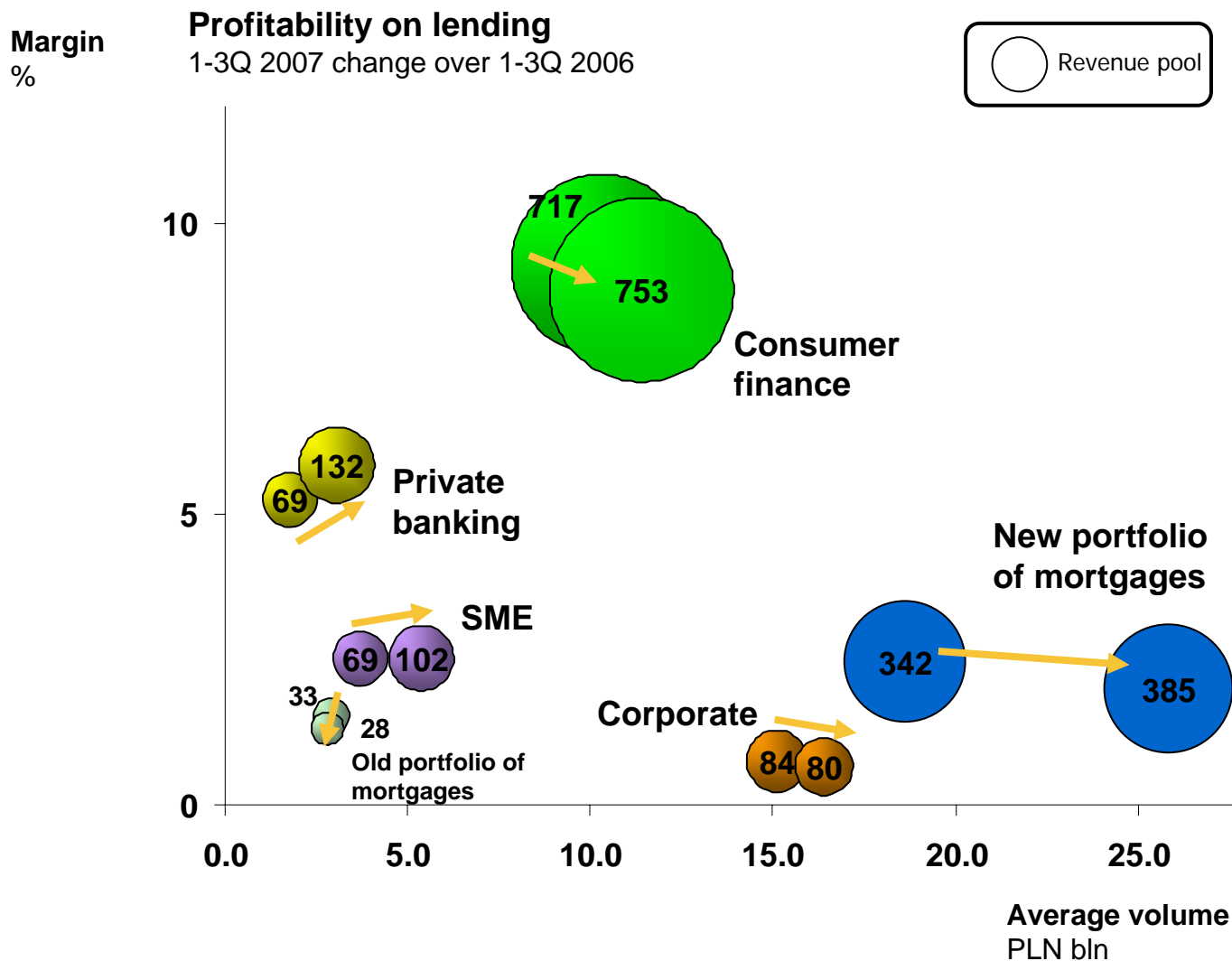


- Retail loans represent close to 60% of the whole lending portfolio
- Mortgage lending gives large potential due to large size and fast growth rate – of more than 40% annually
- PKO BP heavily develops its private banking and SME banking businesses



## LENDING – PROFITABILITY

... however vast majority of revenue growth was generated by retail segment



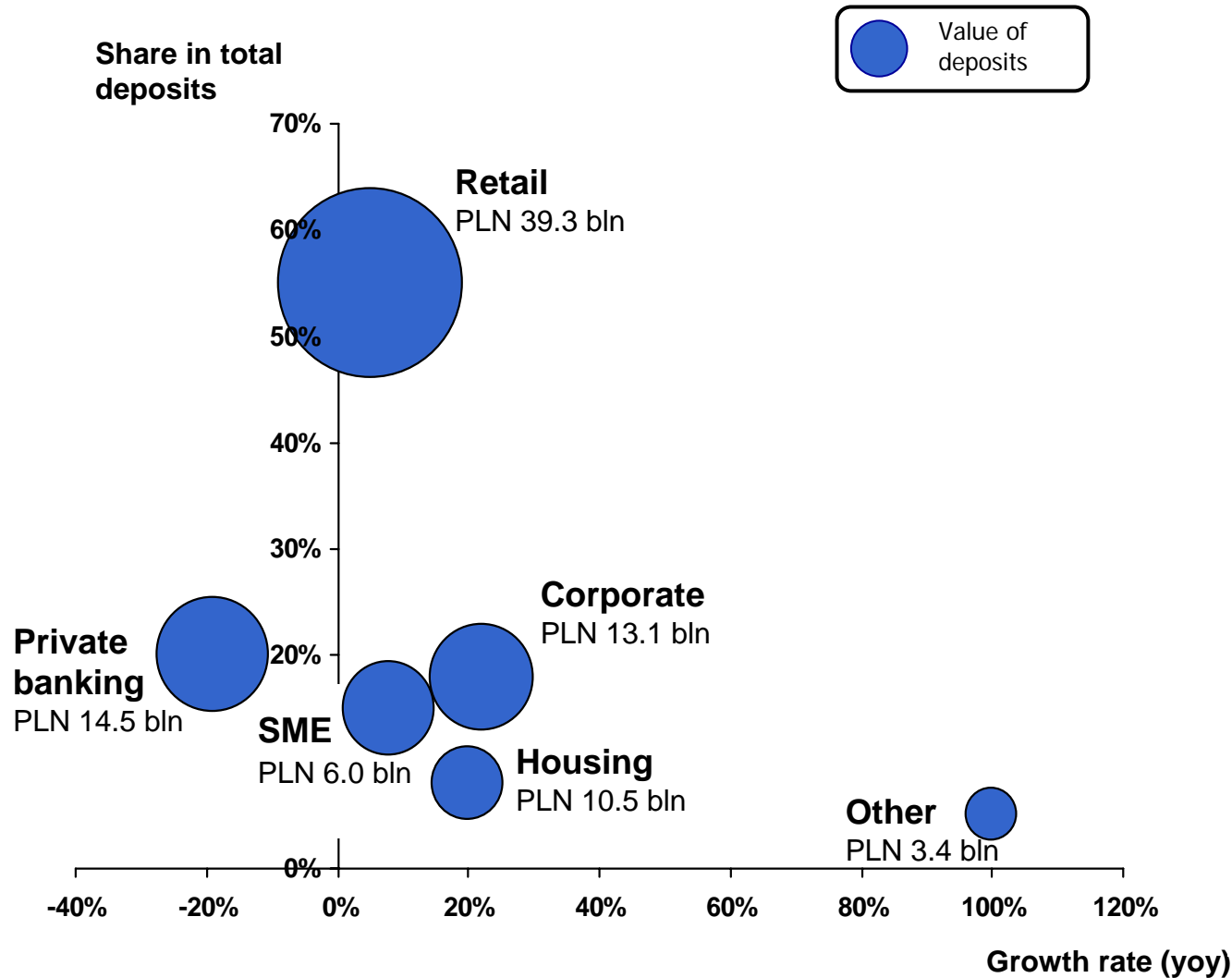
- Increase of volumes more than compensate a decline of margins in retail lending. As a result revenues on consumer finance and mortgage lending increased
- Increase of margins in private banking and SME lending was accompanied by increase of volumes
- Retail banking represent close to 90% of the total revenues on lending



# DEPOSITS – VOLUMES

Retail deposits are growing slowly...

Unconsolidated

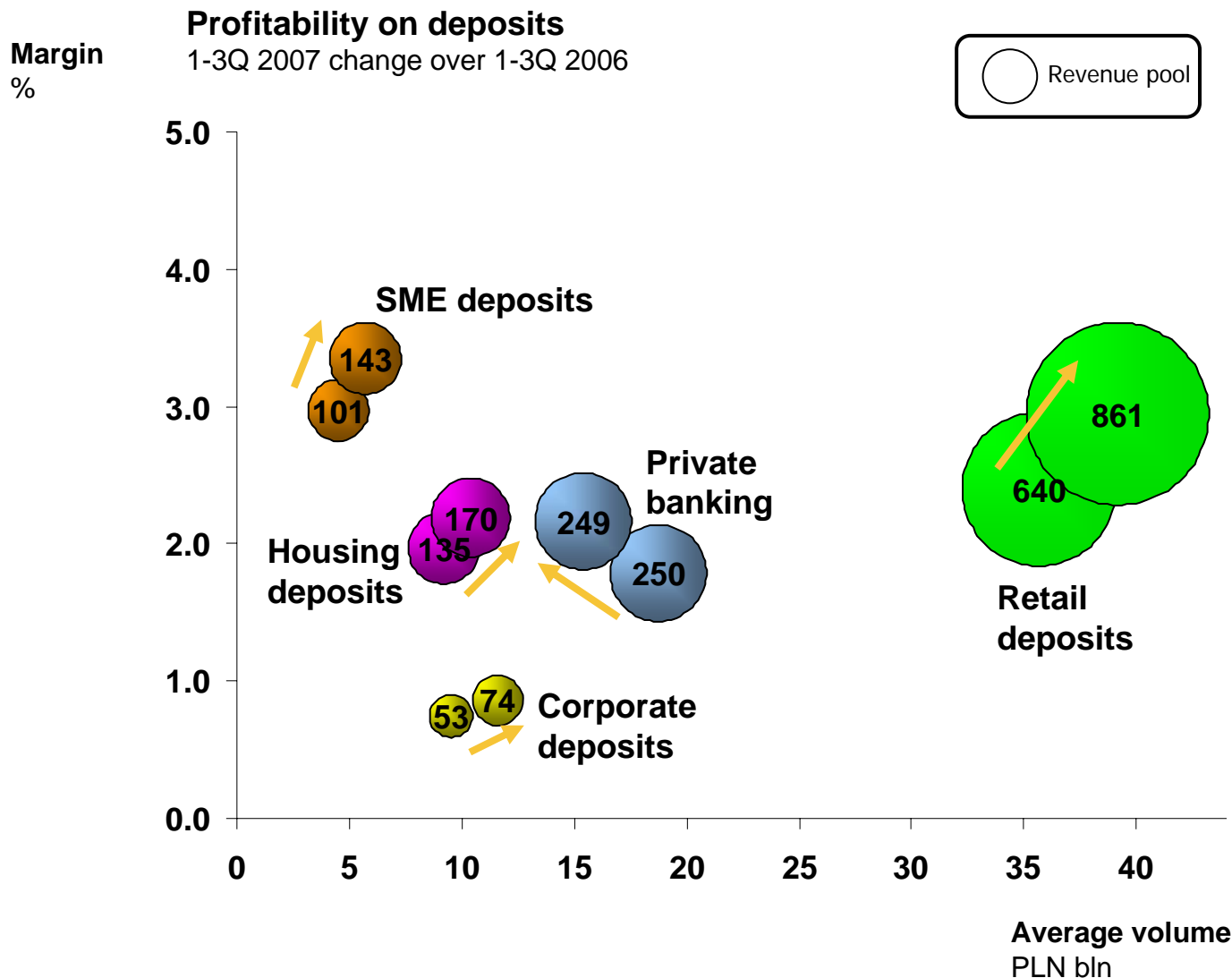


- Retail deposits represent close to 70% of the total deposit base
- Despite a massive growth of mutual funds retail deposits increased by 5%
- Fall in private banking deposits was compensated by increase of corporate deposits



## DEPOSITS – PROFITABILITY

... however due to the large size they represent the largest revenue pool increase



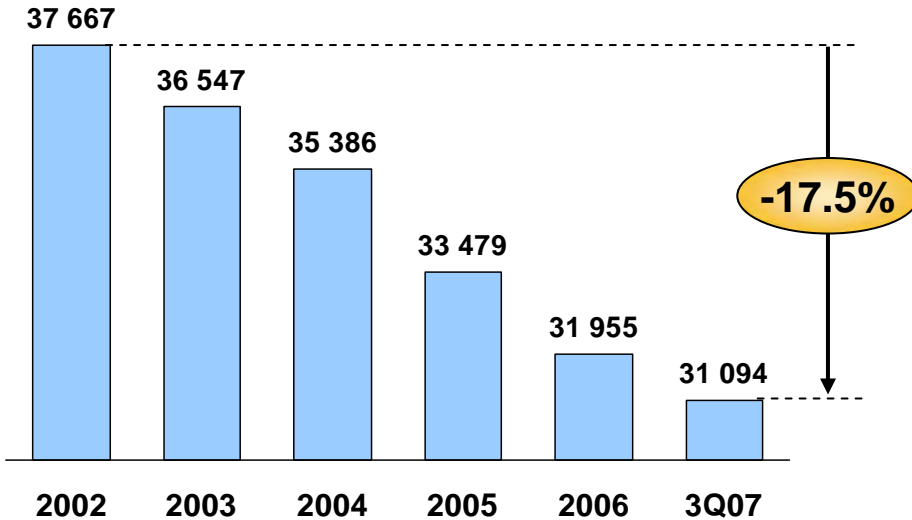
- Profitability growth on deposits was fuelled by increase of both margins and volume in most segments
- As a result 1-3Q 2007 revenues on deposits were 27% higher than in the previous year



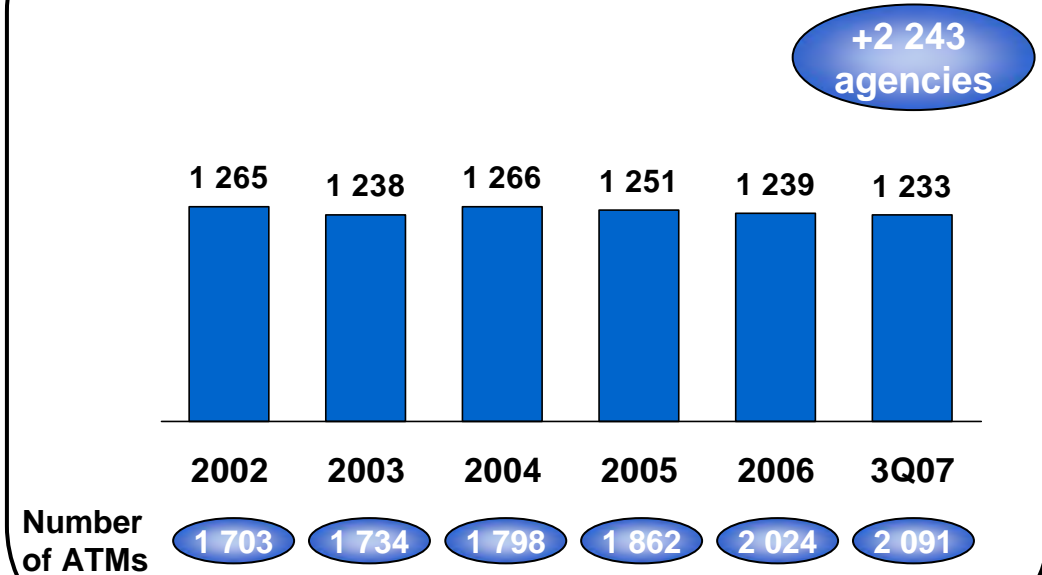
## OUTLETS AND EMPLOYEES

The largest banking infrastructure gives PKO BP potential for further growth

Number of employees  
FTEs



Number of branches



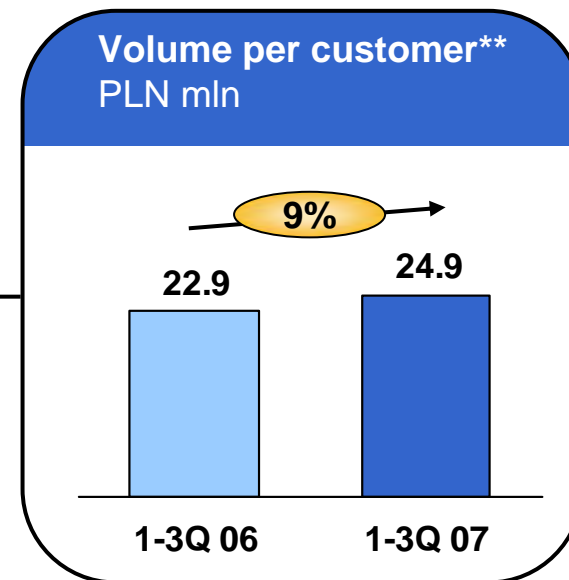
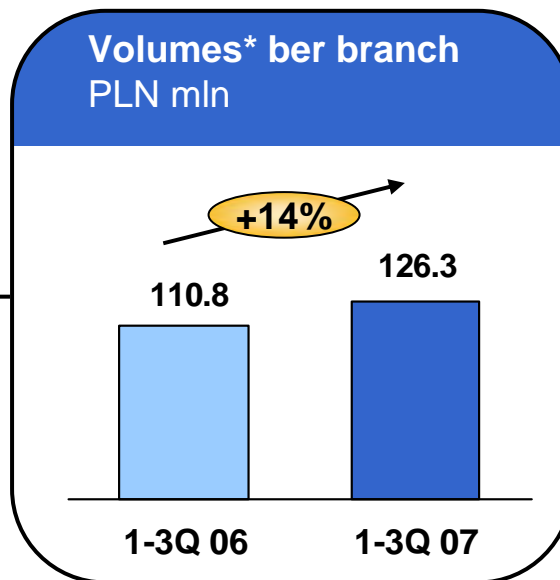
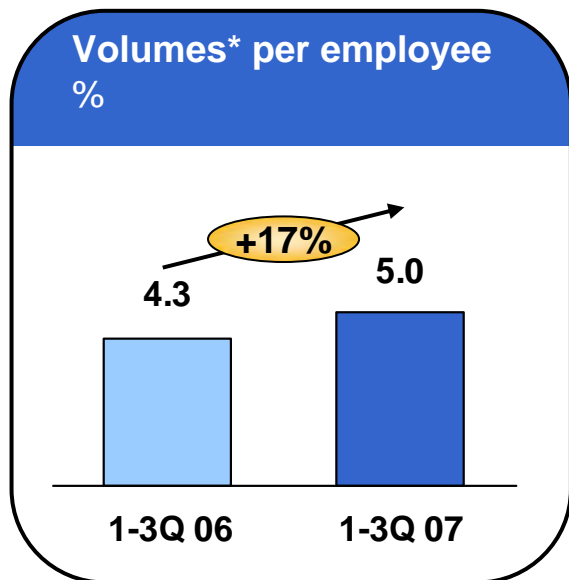
- **PKO BP has the largest branch network in Poland:**
  - 1 233 own branches (1 150 retail branches and 83 corporate banking centres) and 2 243 agencies
  - first branch in London to be opened in December 2007
- **Bank gradually develops ATM network**
- **Employment is systematically optimized.** Since end-2002 the number has been reduced by more than 6 500



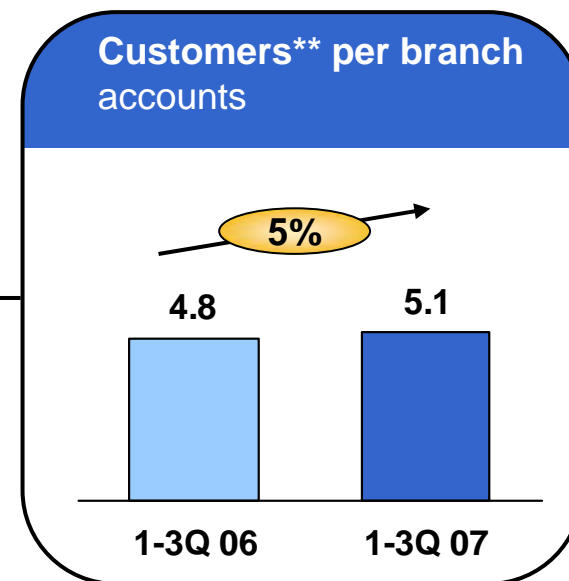
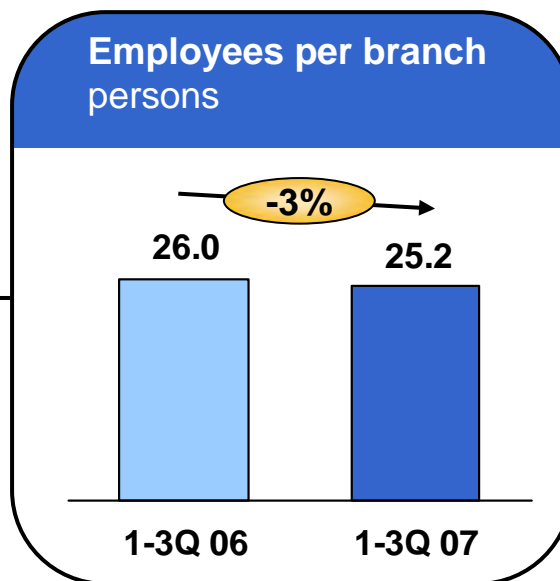


# EFFICIENCY

Efficiency of its use is gradually growing



- Employment optimization together with increase of sales translate to efficiency improvement

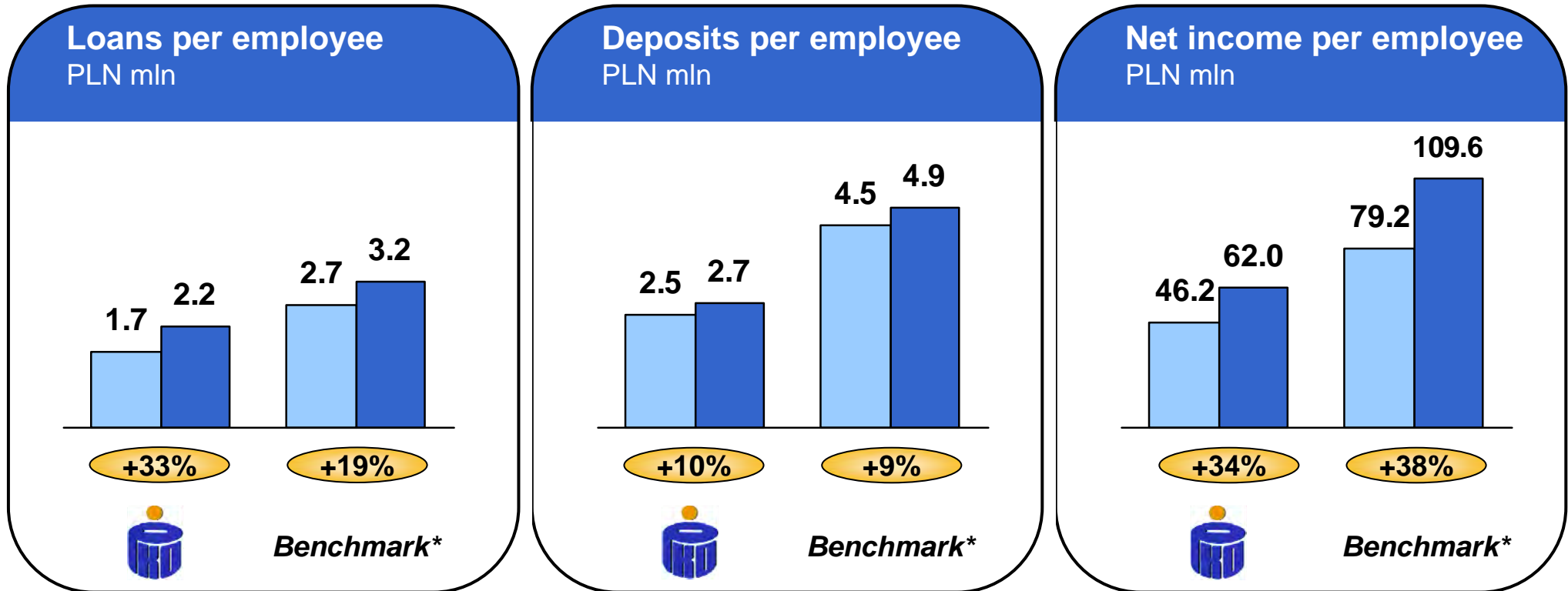


\* Total loans and deposits    \*\* number of customer accounts



## EFFICIENCY – BENCHMARKING

However as compared to other large universal banks in terms of efficiency there is room for further improvement



1-3Q 2006

1-3Q 2007

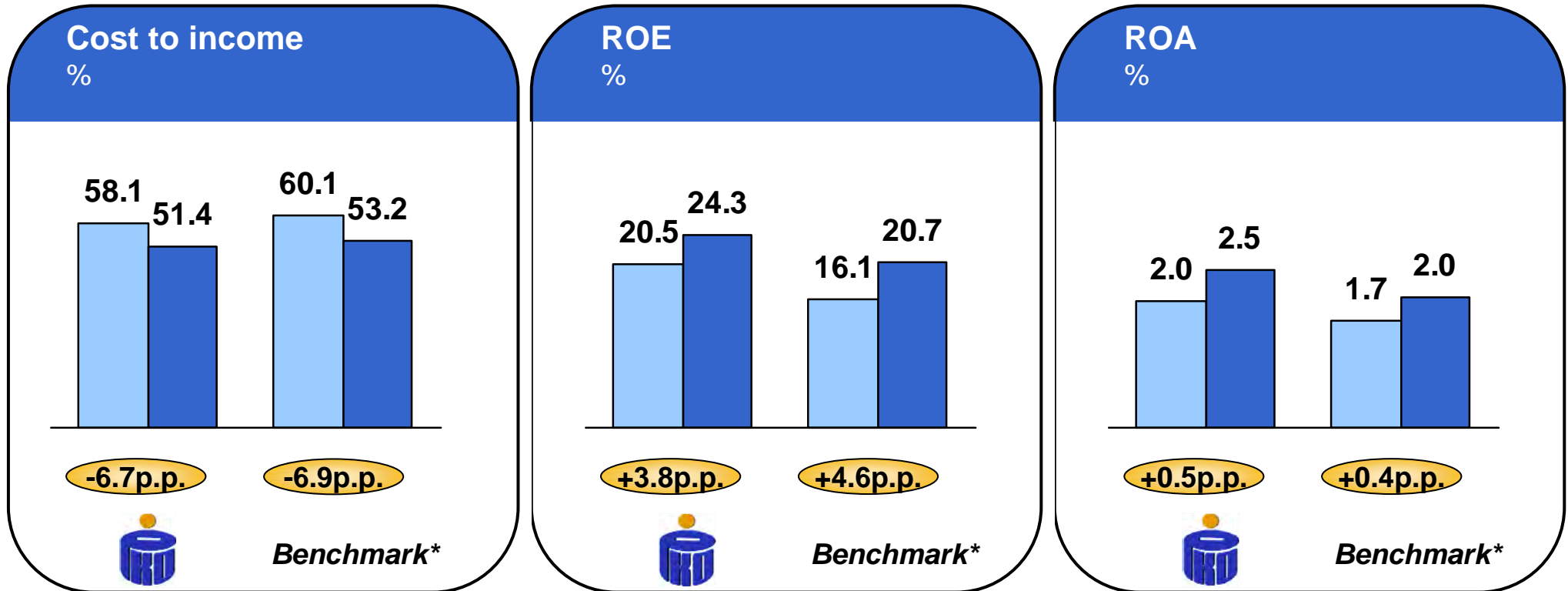
- In terms of efficiency per employee PKO BP lags behind large universal bank.
- However, in terms of volumes the bank catches up with the benchmark
- Further efficiency improvement should result in substantial growth of income

\* Average for top 2-6 banks



# PROFITABILITY - BENCHMARKING

In terms of profitability PKO BP performs better than the benchmark



1-3Q 2006

1-3Q 2007

- PKO BP reports very high profitability
- All profitability ratios are better than the benchmark calculated based on the results of top 2-6 banks

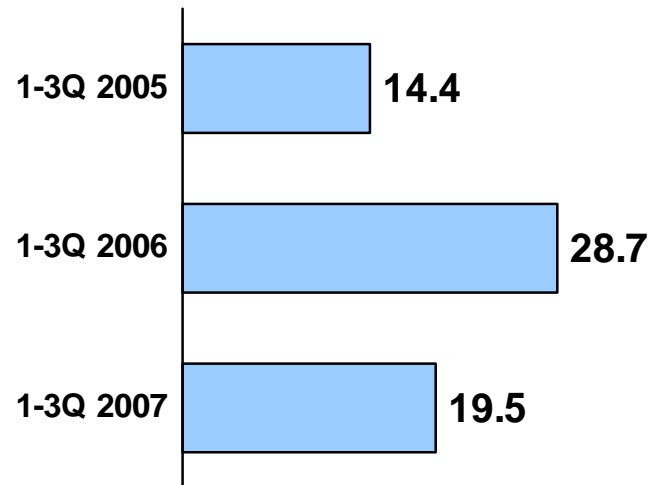
\* Average for top 2-6 banks



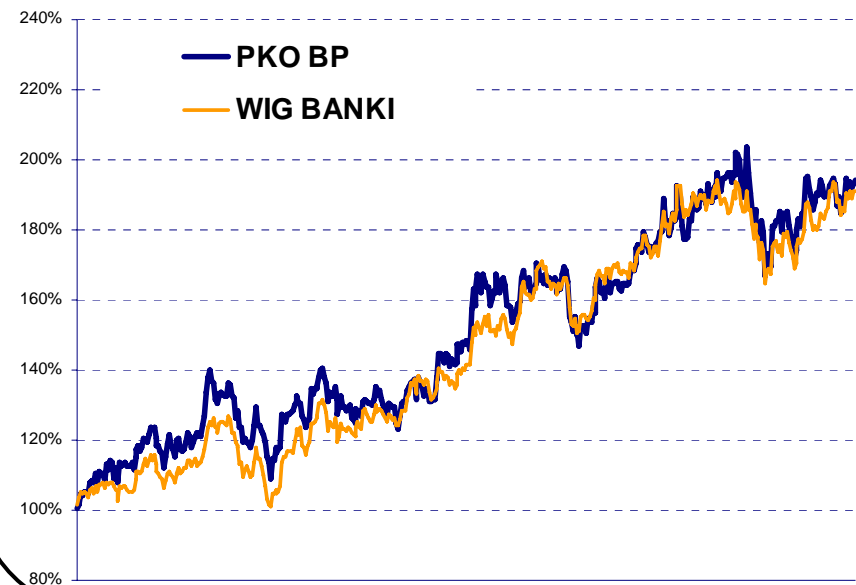
## PERFORMANCE ON THE STOCK MARKET

Good performance results in positive feedback from the market

TSR  
%



PKO BP share price as compared to WIG Banki Index  
(end-2005=100%)



- Good financial results are reflected by good PKO BP performance on the stock market
- High TSR results from substantial share price increase as well as high dividend for shareholders



## RECENT ACHIEVEMENTS

**Good performance resulted in positive feedback from the market**

### Prizes

- A title of the best internet bank for Inteligo by Polish edition of 'Newsweek'
- Title of Primary Market Leader – PKO BP IPOed the largest number of companies in 2007
- Emblem „Poland: Now” (Teraz Polska) granted
- Premium Brand by the Forbes
- European Medal award for a corporate lending product (Szybki Limit Kredytowy) by BCC and UKIE
- First rank among the most valuable companies by Polish edition of 'Newsweek'

### Business successes

- Aa2 rating for local currency deposits reflected dominant market position in retail banking, sound financial results, high profitability, positive liquidity
- Successful corporate bond issue for a value of PLN 16 bln in 100% placed on a domestic capital market
- ISO certificate for security management system
- Good progress in IT system migration – more than 1 mln of customer accounts already on the new platform Alnova
- Positive reactions to the new strategy of Kredobank a subsidiary in Ukraine



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## BACK UPS

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# PROFIT AND LOSS ACCOUNT

IFRS, Consolidated

P&L, PLN thousand	1-3Q06	1-3Q07	Change
Net interest income	2 809 258	3 330 007	118.5%
Net fees and commission income	1 362 713	1 722 450	126.4%
Dividend income	3 590	3 271	91.1%
Result from financial instruments at fair value	(73 939)	(56 034)	75.8%
Result from the investment securities	20 792	4 380	21.1%
Foreign exchange result	419 933	389 220	92.7%
Net other operating income	207 452	177 745	85.7%
<b>Total income items</b>	<b>4 749 799</b>	<b>5 571 039</b>	<b>117.3%</b>
Impairment losses	(24 513)	(137 286)	5,6x
General administrative expenses	(2 727 580)	(2 892 046)	106.0%
Share in net profit (losses) of associates and jointly controlled entities	866	931	107.5%
<b>Gross profit</b>	<b>1 998 572</b>	<b>2 542 638</b>	<b>127.2%</b>
Income tax expense	(384 276)	(485 459)	126.3%
Profit (loss) of minority shareholders	48 073	28 318	58.9%
<b>Net profit</b>	<b>1 566 223</b>	<b>2 028 861</b>	<b>129.5%</b>



# BALANCE SHEET

IFRS, Consolidated

<b>ASSETS, PLN thousand</b>	<b>End-2006</b>	<b>End-2007</b>	<b>Change</b>
Cash and balances with the Central Bank	4 628 134	4 398 414	-5.0%
Amounts due from other banks	13 430 590	8 450 276	-37.1%
Financial assets held for trading	998 635	1 486 990	48.9%
Derivative financial instruments	1 199 154	1 076 951	-10.2%
Other financial instruments valued at fair value through profit or loss	11 518 705	11 999 695	4.2%
Loans and advances to customers	58 906 607	71 292 704	21.0%
Investment securities	6 763 188	5 287 014	-21.8%
Tangible fixed assets	2 655 041	2 677 659	0.9%
Other assets	1 925 653	2 289 744	18.9%
<b>TOTAL ASSETS</b>	<b>102 025 707</b>	<b>108 959 447</b>	<b>6.8%</b>
<b>LIABILITIES, PLN thousand</b>	<b>End-2006</b>	<b>End-2007</b>	<b>Change</b>
Amounts due to the Central Bank	1 387	1 478	6.6%
Amounts due to the other banks	4 351 608	7 541 898	73.3%
Derivative financial instruments	1 097 806	1 117 936	1.8%
Amounts due to customers	83 507 175	86 403 758	3.5%
Other liabilities	2 887 151	2 755 629	-4.6%
Total equity	10 180 580	11 138 748	9.4%
<b>TOTAL LIABILITIES</b>	<b>102 025 707</b>	<b>108 959 447</b>	<b>6.8%</b>





## SHAREHOLDER STRUCTURE

