



Bank Polski

Financial Results of PKO Bank Polski SA Group for 1Q 2012

Stable financial performance
and improvement of efficiency

Warsaw, 14th May 2012

Executive summary

High growth rate of net profit maintained

- ⇒ Consolidated net profit of the PKO Bank Polski Group for 1Q 2012 at PLN 1,005 mn (+15.4% y/y and +5.6% q/q)
- ⇒ Growth of net profit mainly due to increase in assets and interest margin (NII higher by 19.8% y/y)

High operating efficiency and cost discipline

- ⇒ Decrease in cost to income ratio (C/I) by 1.4 pp. y/y to 39.4%
- ⇒ Drop of administrative expense by 2.8% q/q

Further growth of return on equity and assets

- ⇒ ROE increased to 17.7% (+2.4 pp. y/y)
- ⇒ ROA increased to 2.1% (+0.1 pp. y/y)

Secure and effective structure of the balance sheet

- ⇒ Growth of balance sheet total by PLN 17.0 bn y/y to PLN 189.7 bn due to dynamic growth of net loans (PLN +8.5 bn y/y), financed by customer deposit increase (PLN +8.6 bn y/y) and bond issue (PLN 1.9 bn and CHF 250 mn as at end of 1Q 2012)
- ⇒ Loans to stable sources of financing ratio on a safe level of 90.0%, which means improvement by 1.7 pp. y/y (loan/deposit ratio at 97.7%)

High rating assigned by Standard&Poor's (A-/A-2)

New dividend policy – payout of excess capital above 12% CAR and 9% Core Tier1

Basic financial data

		1Q 2011	1Q 2012	Change
Net profit	<i>PLN mn</i>	871	1 005	+15.4%
Result on business activity	<i>PLN mn</i>	2 581	2 923	+13.3%
ROE - net	%	15.4	17.7	+2.4 pp.
ROA - net	%	2.0	2.1	+0.1 pp.
C/I	%	40.8	39.4	-1.4 pp.
Gross loans ⁽¹⁾	<i>PLN mn</i>	137 653	146 917	+6.7%
Deposits ⁽²⁾	<i>PLN mn</i>	135 565	144 202	+6.4%
Assets	<i>PLN mn</i>	172 694	189 733	+9.9%

(1) Gross loans and advances to customers

(2) Amounts due to customers



New classification of Bank branches

A new classification of Bank branches has been developed and its implementation started: as of 1 July 2012, branches will be grouped into six types (rather than the current three types). The new classification of outlets will make it possible to target them to meet the needs of customers on particular micromarkets and to increase the effectiveness of managing the branch network. It will be possible to compare branches of a particular type. The borders and names of Regional Retail Branches will also change.



Start of a new School Savings Bank (SKO) programme

Electronic accounts for students connected with Poland's first internet banking service for children, a free account for schools, and advice for parents - these are the main changes and new features of the School Savings Banks.



Implementation of cooperation with the Social Security Office (ZUS)

A four-year agreement was concluded with the Social Security Office (ZUS) for servicing the consolidated accounts of ZUS and the Funds managed by ZUS and for handling mass payments. As part of the strategic activities implemented and in connection with the conclusion of an agreement with ZUS, the iPKO business electronic banking system was expanded to include new functionalities (within the scope required by ZUS) and a platform was developed to service mass domestic and foreign benefits payments. After appropriate adjustments, the solutions implemented will also be able to be used for other strategic, high-volume corporate customers of the Bank.



New Brokerage House (Dom Maklerski) transaction system

A new version of the Supermakler transaction system - one of the most advanced programmes of its kind on the Polish capital market - is the most important element in implementing the development strategy for remote distribution channels. The service is equipped with tools which support investing, ensure access to information from the capital market, allow securities to be evaluated at current prices, market listings to be gathered and technical analyses to be conducted in real time (the IntraTerm programme), and electronic instructions to be submitted. Every investor can build his or her own individually customised application within the programme.



SME Scoring

Implementation of the ScoreBiznes programme, which serves to evaluate credit risk for SME customers using the scoring method, and which is designed to facilitate the credit decision process for SME customers, shorten credit application evaluation time, increase the effectiveness of credit risk management and reduce the level of irregular loans.

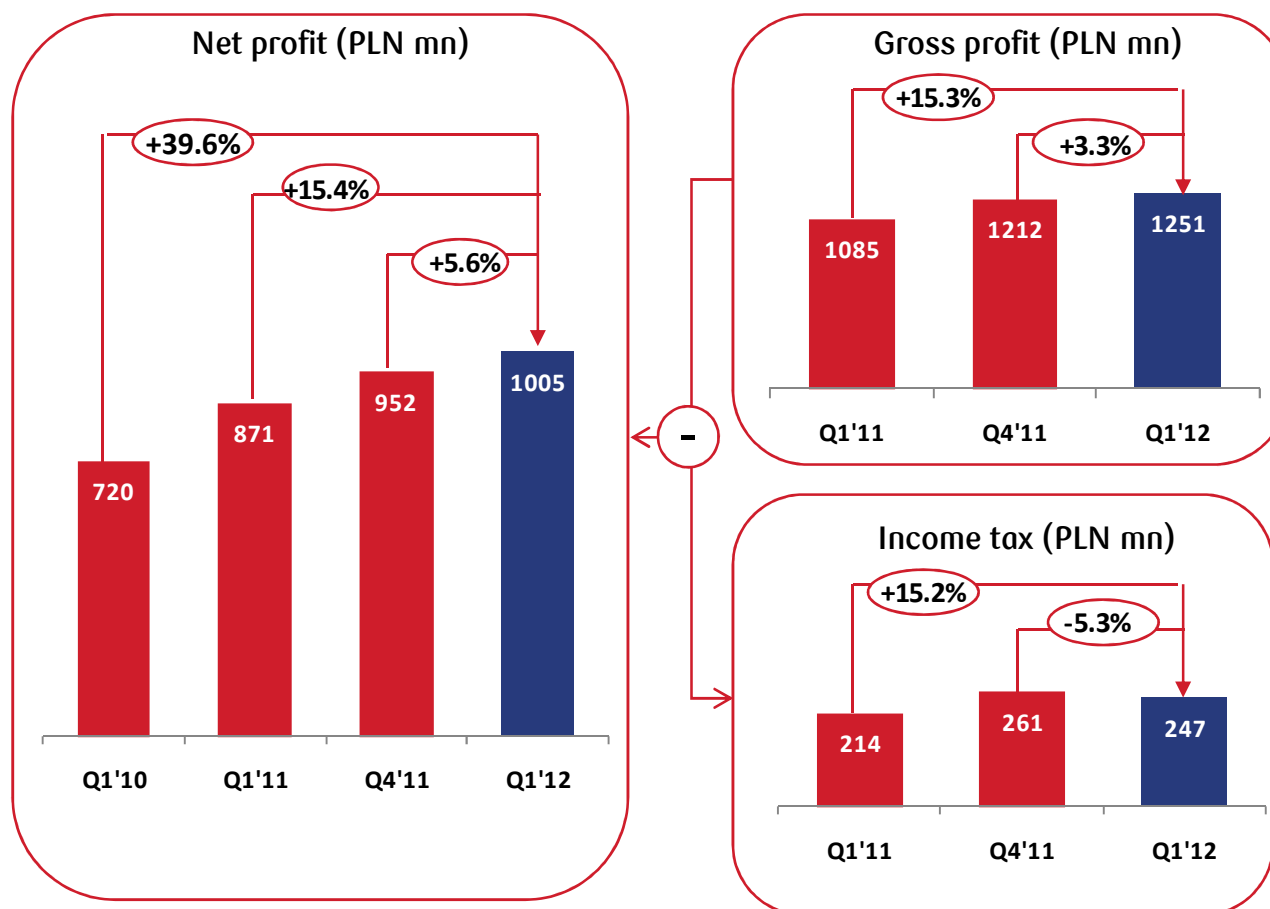


New ATMs for the blind and visually impaired

Adaptation of further ATMs to the needs of blind and visually impaired persons. Currently, there are already 78 devices in the network equipped with voice communication for carrying out operations and with inscriptions in the Braille alphabet.

Financial results - profit

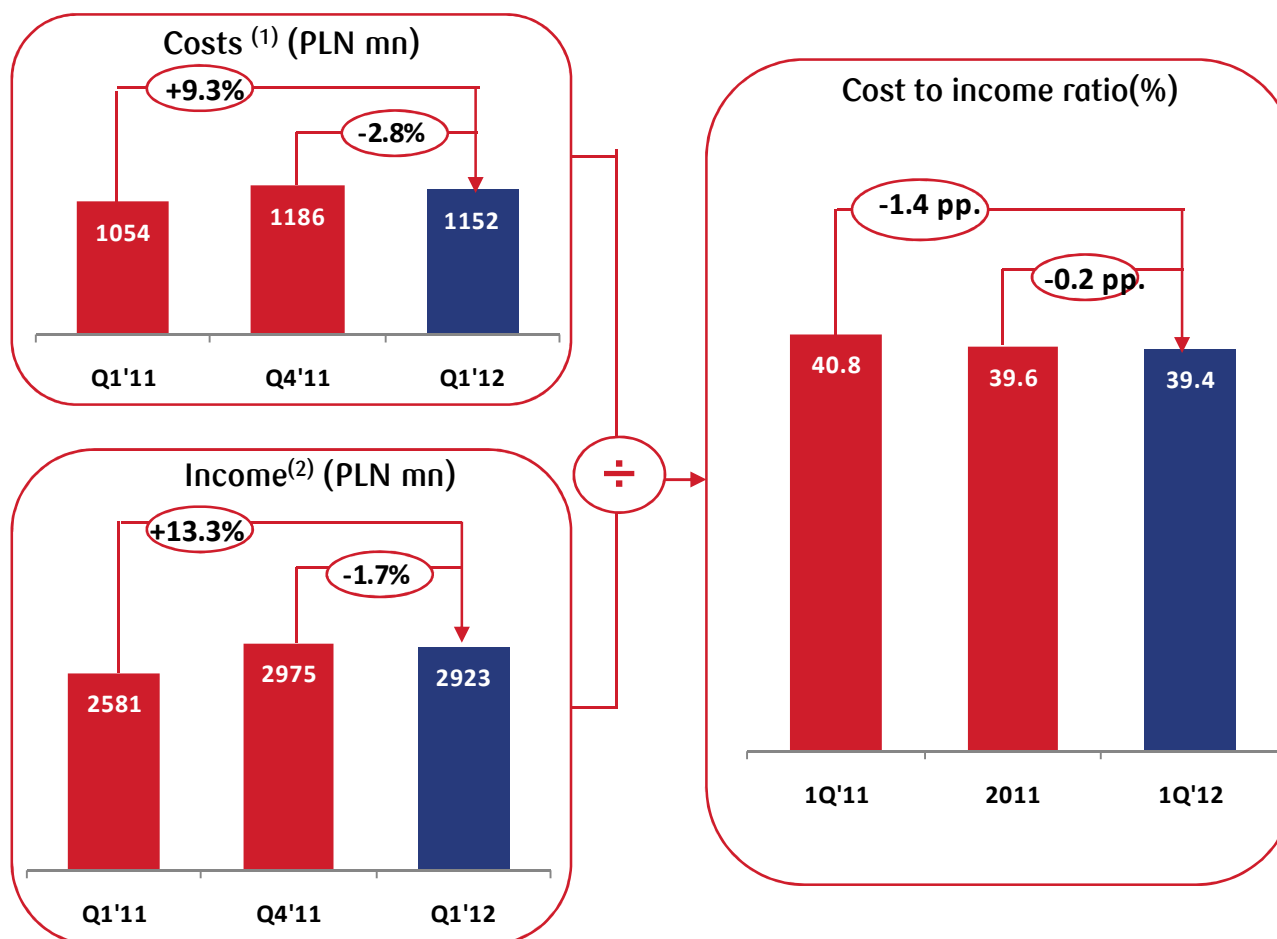
Growth of net profit of PKO Bank Polski Group



- In 1Q 2012 consolidated net profit at level PLN 1,005 mn, higher by 15.4% than year earlier and 5.6% than in previous quarter

Financial results – revenues and costs

High operating efficiency - C/I ratio below 40%



In 1Q 2012 C/I ratio at 39.4%, 1.4 pp. lower than year ago thanks to:

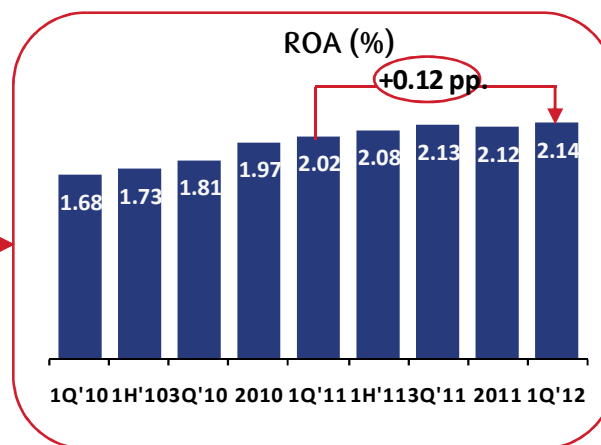
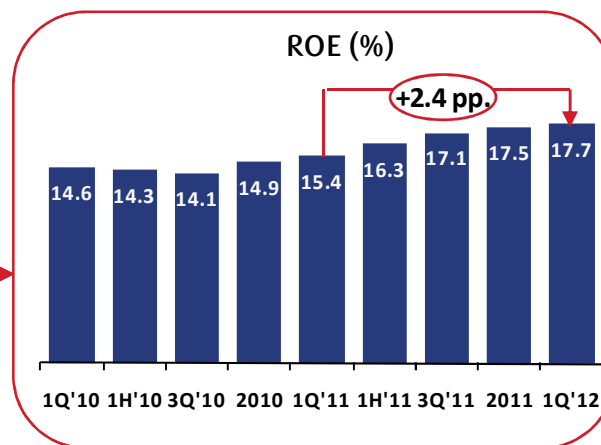
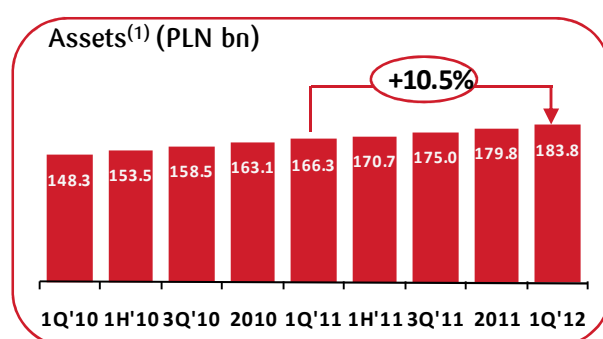
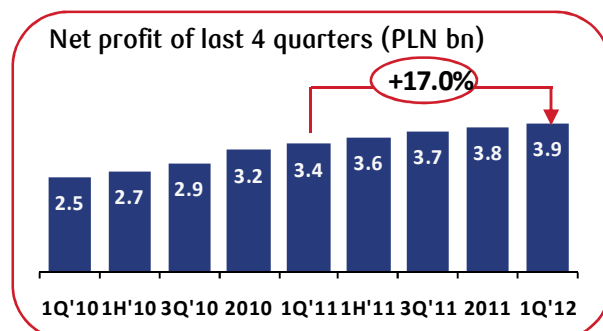
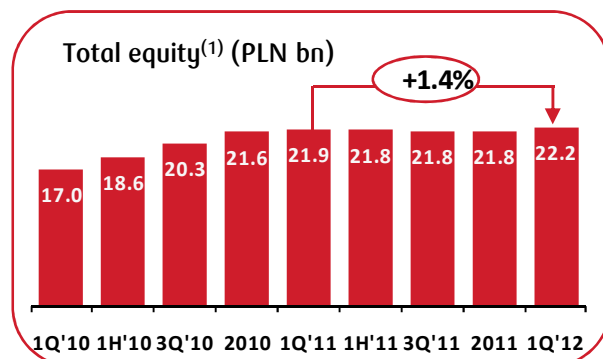
- increase in result on business activity by 13.3% y/y mainly due to growth of net interest income
- lower growth rate of administrative expenses (+9.3% y/y)

(1) Administrative expenses

(2) Result on business activity defined as operating profit before administrative expenses and net impairment allowances

Profitability

Growing return on equity and assets



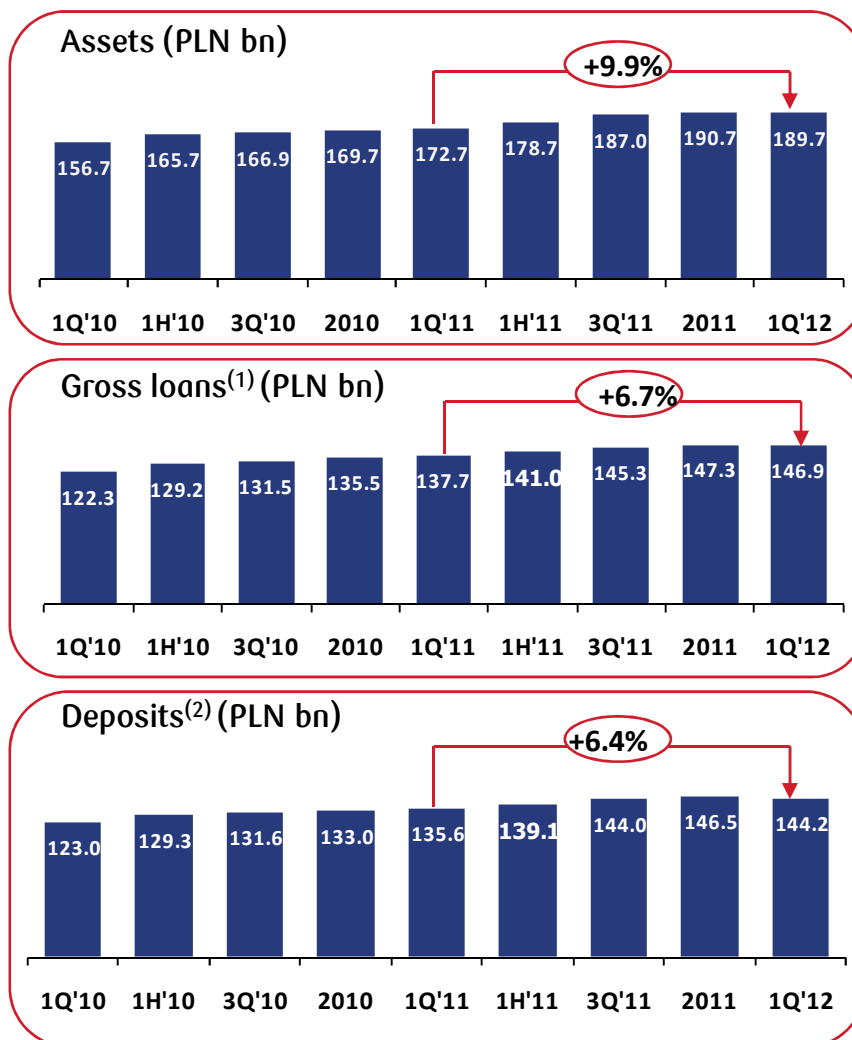
Thanks to high growth rate of net profit:

- ROE ratio at 17.7% - 2.4 pp. higher than year ago
- ROA ratio at 2.14% - growth by 0.12 pp. y/y

(1) Arithmetical mean of levels at the beginning of period of last 4 quarters and the levels at the end of each quarter in this period

Consolidated balance sheet

Stable growth of Group's assets



After 1Q 2012 increase in volume of:

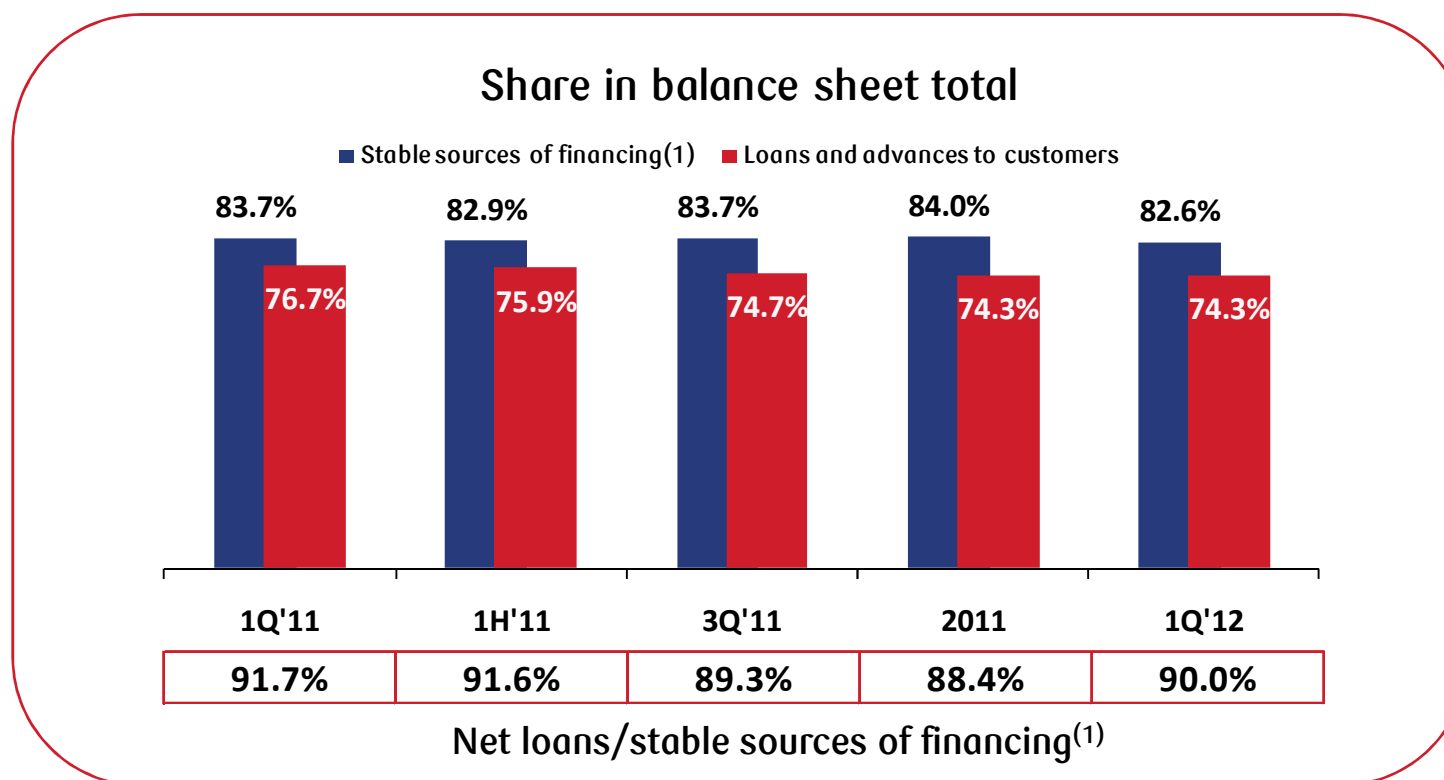
- assets by PLN 17.0 bn y/y, of which PLN 8.5 bn due to increase in net loans and advances to customers
- gross loans up by PLN 9.3 bn y/y, mainly thanks to increase in volume of mortgage loans (PLN +6.8 bn y/y) and corporate loans (PLN +4.0 bn y/y) along with decrease in consumer loans (PLN -1.8 bn y/y)
- deposit up by PLN 8.6 bn y/y, mainly due to growth of deposits of private individuals (PLN +8.0 bn y/y) and corporates (PLN +3.4 bn y/y) with drop in deposits of state budget entities (PLN -2.8 bn y/y)

(1) Gross loans and advances to customers

(2) Amounts due to customers

Balance sheet structure

Secure and effective balance sheet structure

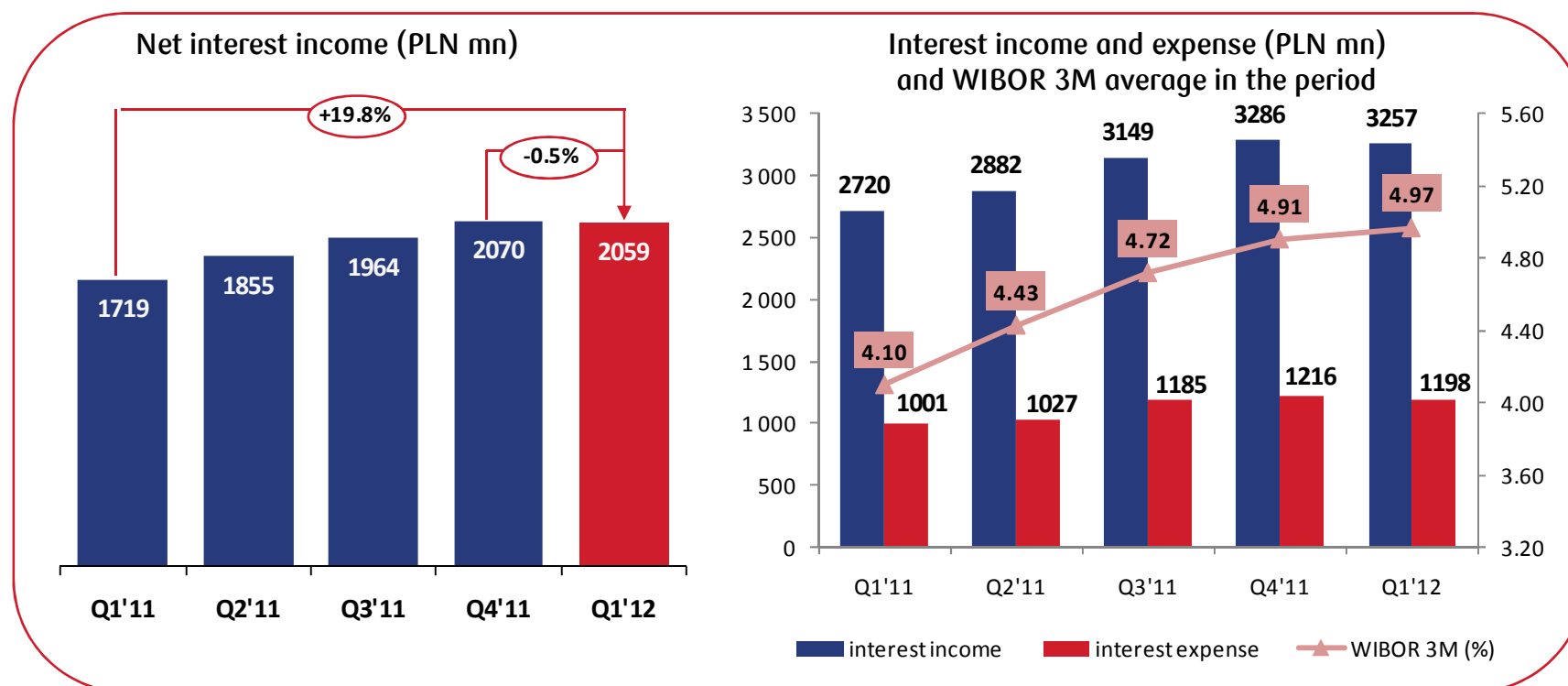


- As at the end of 1Q 2012 net loans to stable sources of financing⁽¹⁾ ratio at 90.0%, 1.7 pp. lower than a year ago, mainly due to high growth rate of long-term external financing
- Net loans/deposits ratio at 97.7%, the same when compared to the level a year earlier

(1) 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

Net interest income

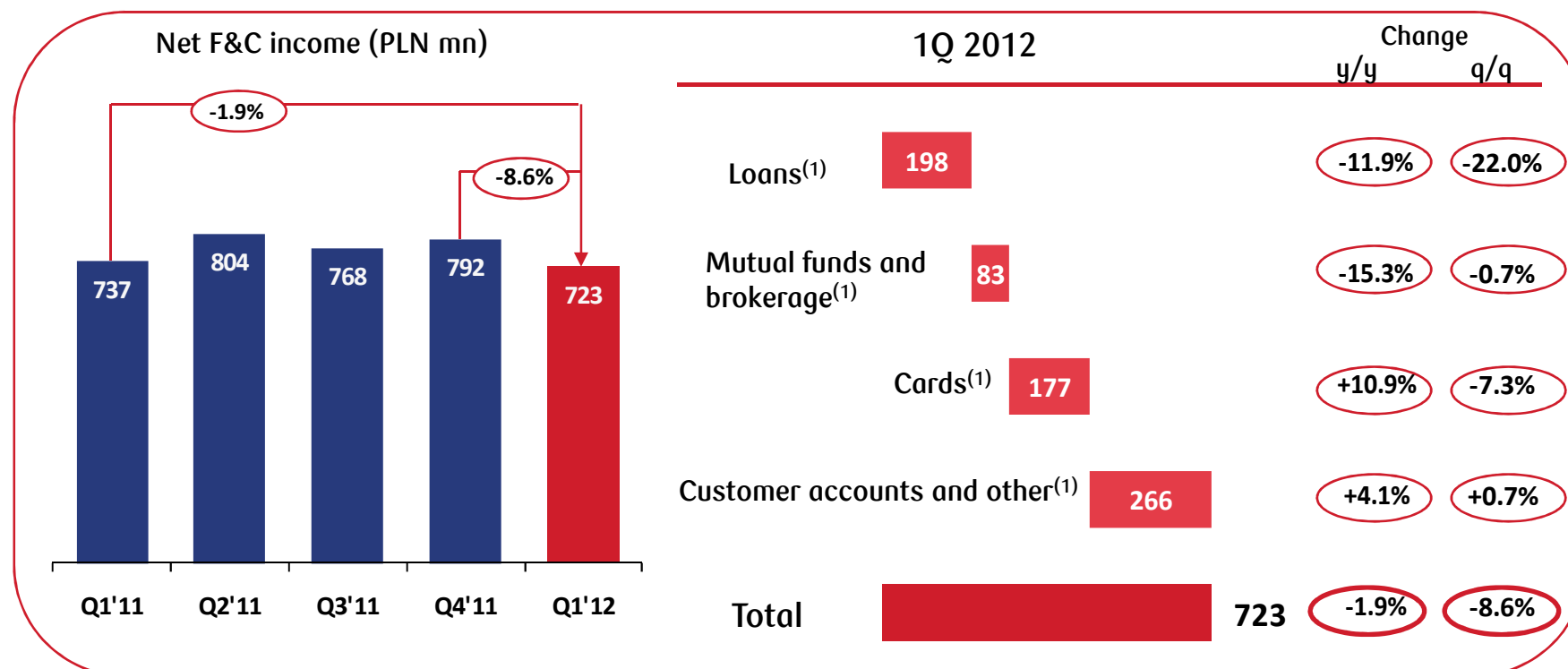
Significant growth of net interest income on annual basis



- In 1Q 2012 increase in net interest income by PLN 340 mn, i.e. 19.8% y/y mainly due to growth of revenue in respect of loans and advances to customers (+156% y/y) resulting from the loan portfolio growth (+6.4% y/y) and growing interest rates

F&C income

Slight drop of F&C result

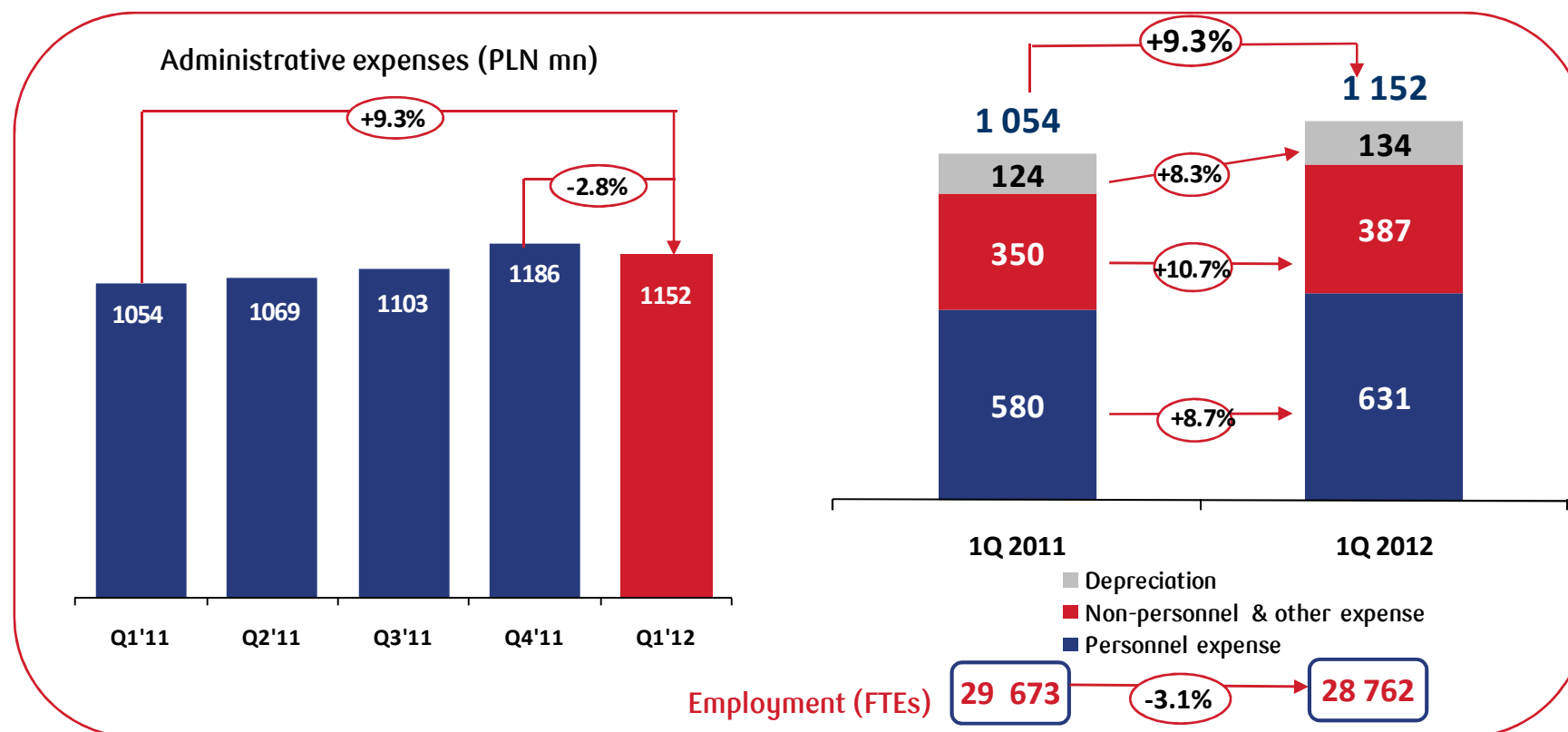


- In 1Q 2012 slight drop of F&C result (PLN -14 mn y/y) due to lower F&C income (PLN -21 mn y/y) determined by:
 - decrease in commission income in respect of loan insurance (PLN -36 mn y/y), in effect of the decrease in sale of consumer loans with insurance
 - decrease in income from servicing of mutual and pension funds (PLN -16 mn y/y) connected with the dynamic growth in electronic banking in the Group
 - partly offset by higher income from payment cards (PLN +30 mn y/y)
- In 1Q 2012 result on interchange fee constituted less than 10% of total F&C result

(1) Bank's management data

Costs

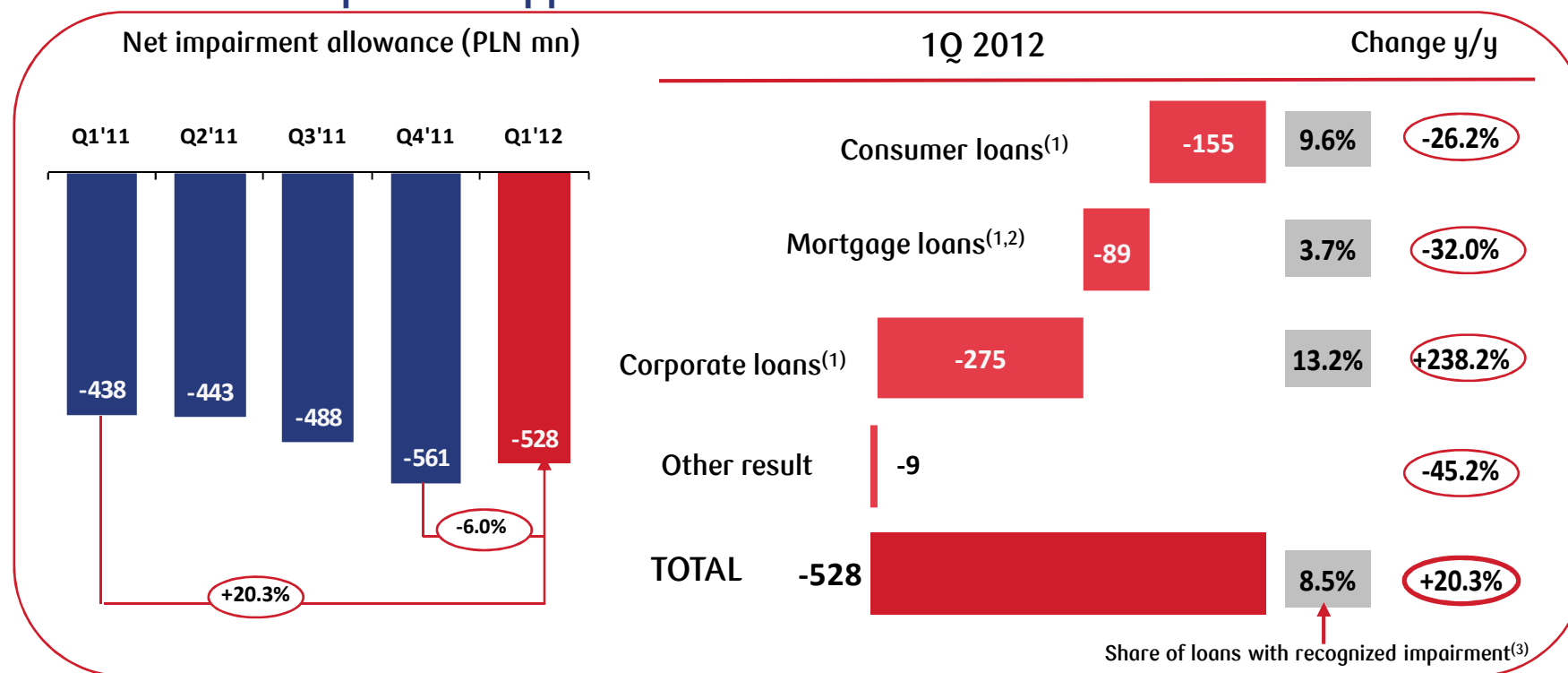
Administrative expenses under control



- In 1Q 2012 increase in administrative expenses by PLN 98 mn y/y determined by:
 - increase in personnel expense by PLN 50 mn y/y affected mainly by the increase in wages and salaries
 - growth of non-personnel and other expense of PLN 38 mn y/y mainly due to higher costs of BGF and KNF as well as advertising costs
 - growth of depreciation by PLN 10 mn y/y
- Drop of employment in the Group by 911 FTEs y/y

Net impairment allowance

Maintenance of prudent approach to the credit risk



- Net impairment allowance is an effect of maintaining a Bank's conservative approach to recognition and measurement of credit risk and the growth of credit portfolio and in 1Q 2012 decreased by PLN 89 mn mainly due to deterioration in the quality of the corporate loans portfolio
- As at the end of 1Q 2012 share of loans with recognized impairment in mortgage loans amounted to 3.6% for PLN loans and 3.8% for FX loans

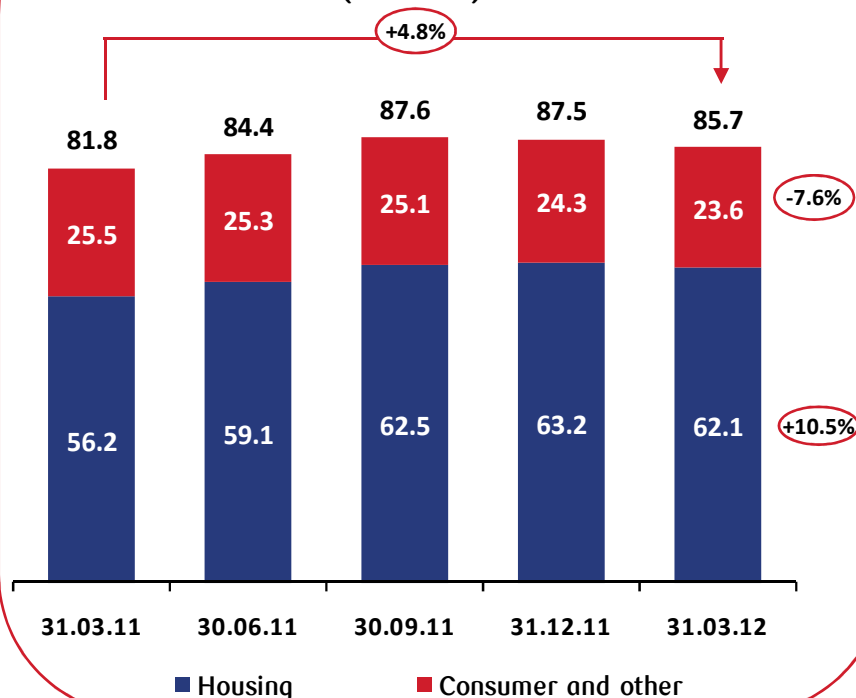
(1) Management data (2) Housing loans for individuals

(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

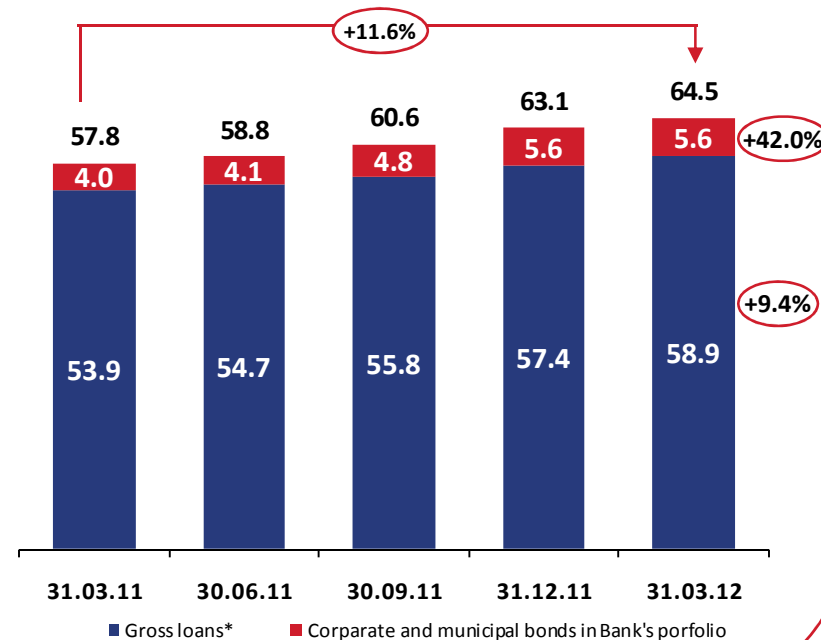
Lending volumes

The highest in sector volume of retail loans and corporate receivables

Gross loans granted to private individuals*
(PLN bn)



Receivables due from institutional entities
(PLN bn)



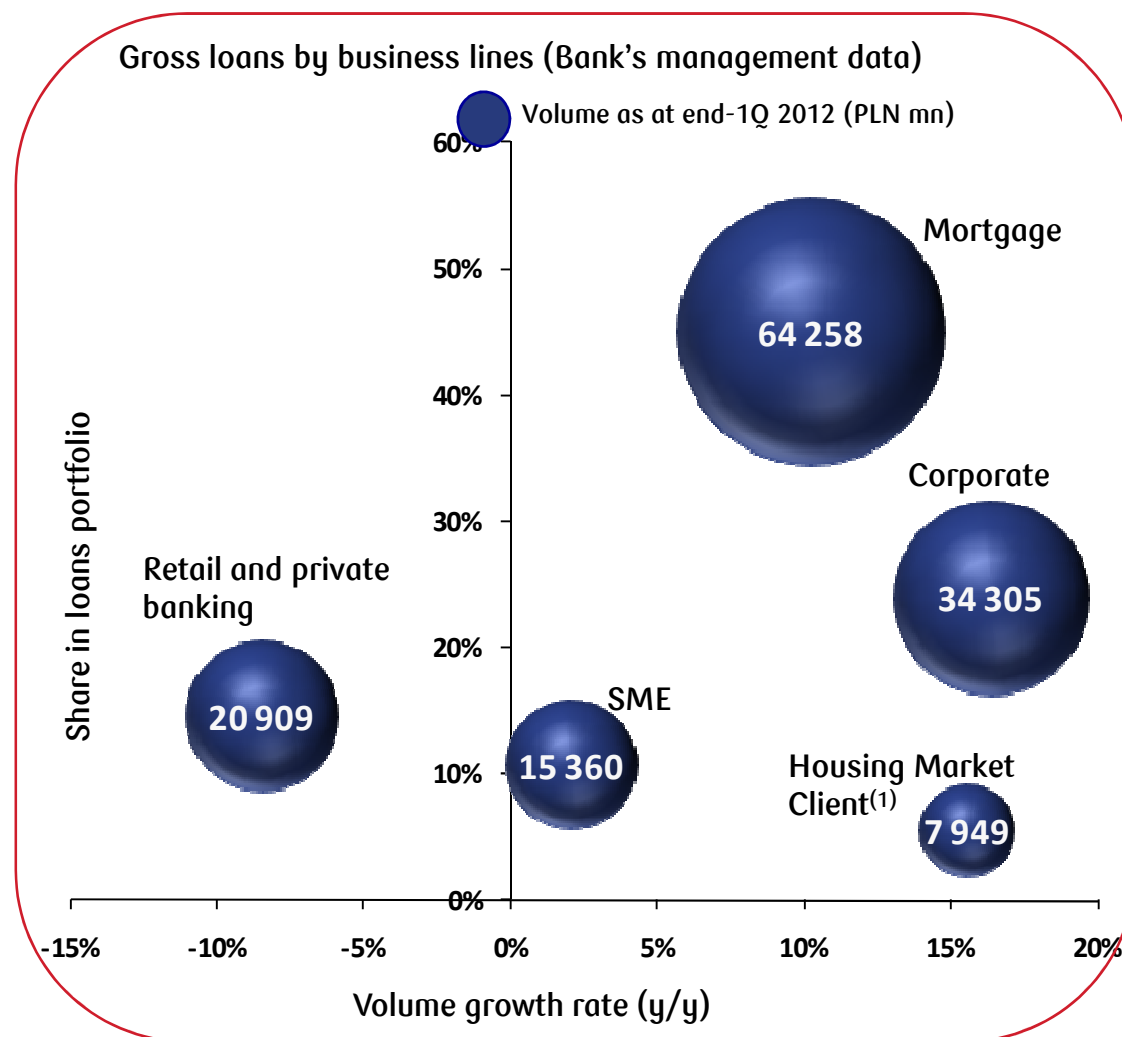
- After 1Q 2012 receivables due from institutional entities and gross loans granted to private individuals and grew by PLN 6.7bn y/y and PLN 3.9 bn y/y respectively

○ Change y/y

* Data from reports to Polish Central Bank (NBP) and own analyses on basis of banks' financial data (officially available)

Volumes - loans

Balanced growth of loan portfolio



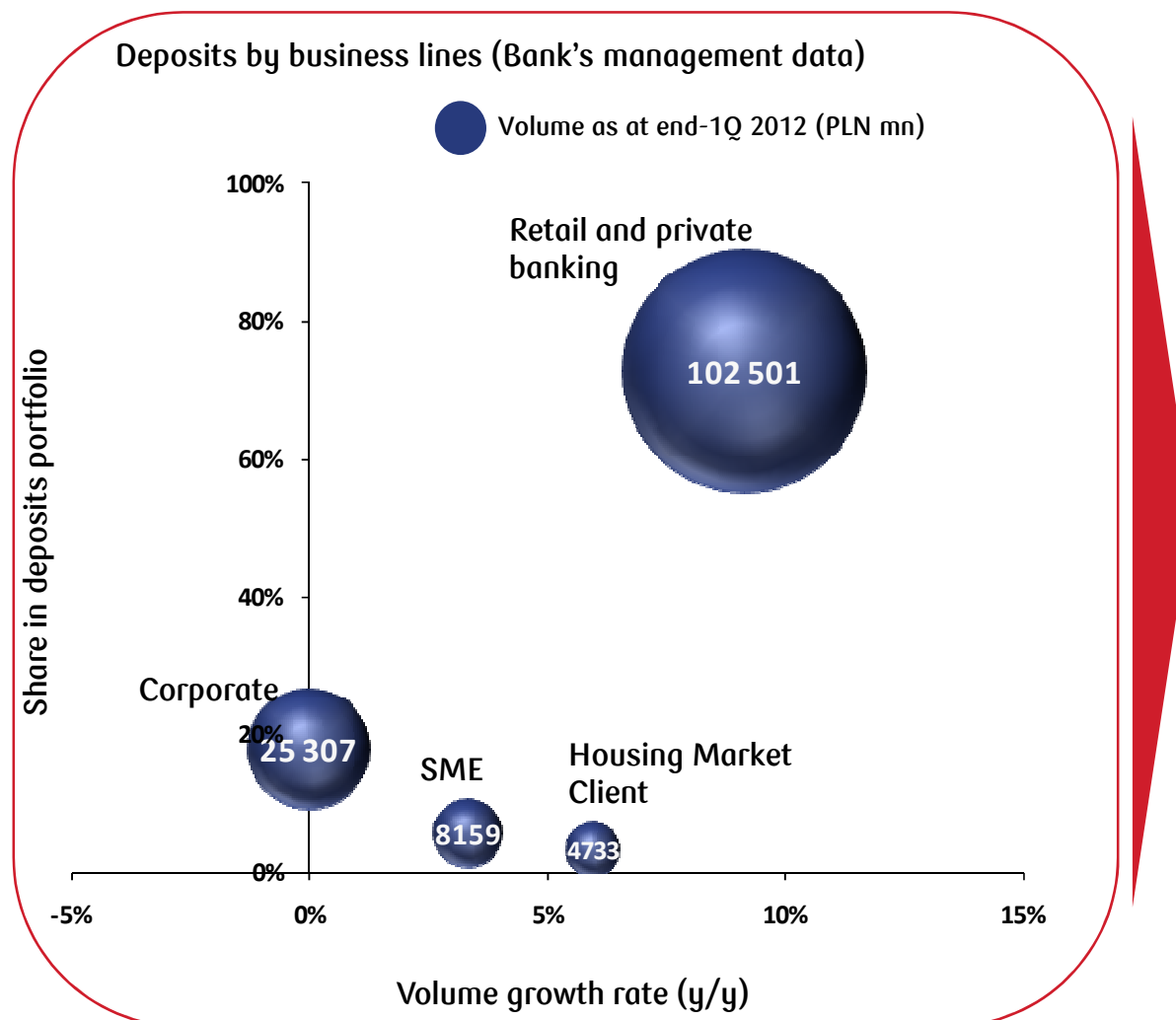
After 1Q 2012:

- mortgage loans volume, which represent 45% of the whole lending portfolio, grew by 10% y/y
- corporate loans, second in terms of size (24% share in lending portfolio), increased by 16% y/y
- retail and private banking loans, with 15% share in total loans, decreased by 8% y/y
- SME loans (11% of whole portfolio) growth rate was at level of +2% y/y
- housing market client loans (6% share in portfolio) increased by 16% y/y

(1) Includes housing loans supported by State Treasury , loans granted to developers and housing cooperatives

Volumes - deposits

Retail deposits fundamental for Bank's deposit basis

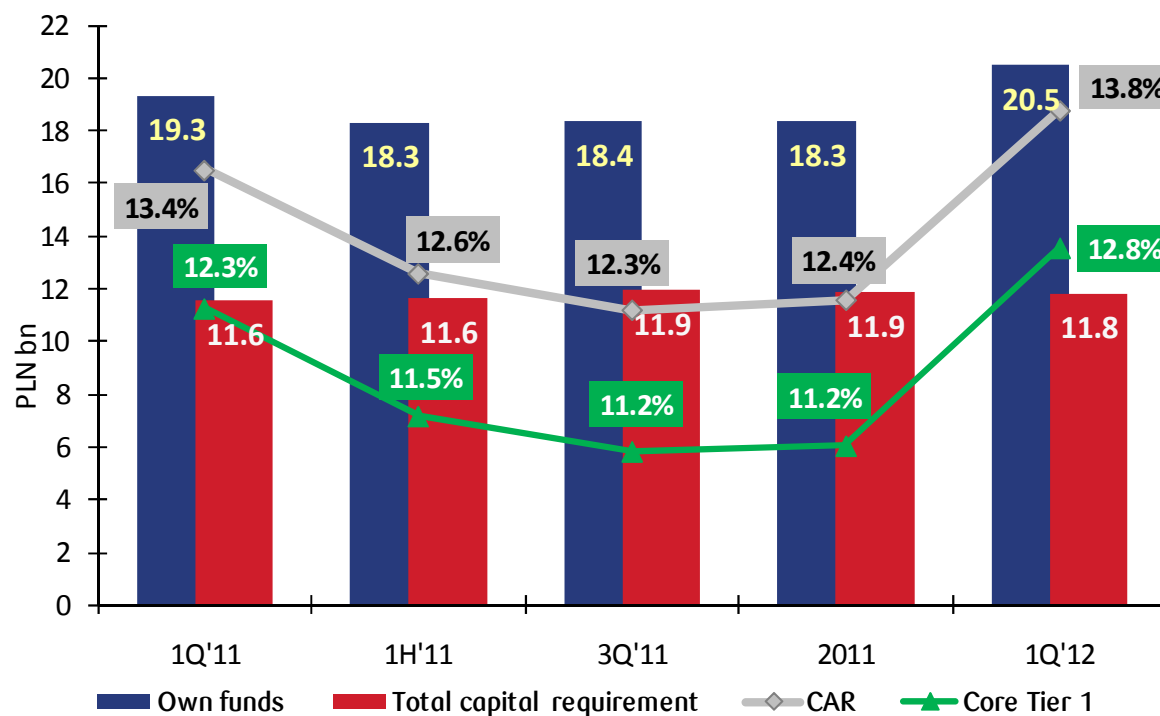


After 1Q 2012:

- retail and private banking deposits representing 73% of the total deposit base, increased by 9% y/y
- volume of corporate deposits, with share in total deposits at a level of 18% stayed at level like a year ago
- SME deposits (6% share in portfolio) were 3% higher than a year ago
- volume of housing market client deposits (3% share in total deposits) increased by 6% y/y

Capital adequacy

Secure level of capital adequacy ratio



- After 1Q 2012 capital adequacy ratio increased by 1.47 pp. q/q due to growth of own funds by PLN 2.15 bn q/q mainly due to the recognition of profit earned by the Bank in 2011 after expected charges deduction

Basic operational data

Item (eop)	1Q'11	1H'11	3Q'11	2011	1Q'12
Total number of accounts ('000):	6 126	6 148	6 171	6 182	6 166
- current accounts	5 462	5 482	5 503	5 511	5 492
- Inteligo current accounts	664	665	669	671	674
Number of banking cards ('000)	7 094	7 086	7 097	7 166	7 125
<i>of which: credit cards</i>	<i>1 001</i>	<i>997</i>	<i>1 010</i>	<i>1 009</i>	<i>998</i>
Number of branches:	1 205	1 201	1 201	1 198	1 196
- retail	1 138	1 134	1 134	1 131	1 132
- corporate	67	67	67	67	64
Number of agencies	1 848	1 709	1 560	1 400	1 253
Number of ATMs	2 419	2 426	2 425	2 457	2 465

Rating of PKO Bank Polski

Category \ Rating agency	Moody's Investors Service (ordered)	Standard & Poor's (ordered)	Fitch
Long term bank deposits rating (foreign currency/local currency)	A2/A2 with stable outlook		
Short term bank deposits rating (foreign currency/local currency)	Prime-1/Prime-1 with stable outlook		
Long term counterparty credit rating (foreign currency/local currency)		A-/A- with stable outlook	
Short term counterparty credit rating (foreign currency/local currency)		A-2/A-2 with stable outlook	
Financial strength	C- with negative outlook		
Support			2

- On 29th March 2012 Moody's confirmed its rating granted for Bank
- On 8th May 2012 Standard and Poor's granted its rating for Bank, done for Bank's order

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