



Bank Polski

# Financial Results of PKO Bank Polski SA Group for 1H 2012

Strong fundamentals and high return on equity

Warsaw, 6<sup>th</sup> August 2012



## Executive summary

- **High growth rate of net profit maintained**
  - ⇒ Consolidated net profit of the PKO Bank Polski Group for 1H 2012 at PLN 1,953 mn (+6.3% y/y)
  - ⇒ Growth of net profit on annual basis mainly due to increase in result on business activity (+8.9%), of which thanks to NII growth (+13.1% y/y)
- **High operating efficiency and cost discipline**
  - ⇒ Decrease in cost to income ratio (C/I) by 1.1 pp. y/y to 38.8%
  - ⇒ Drop of administrative expense by 5.1% q/q
- **Return on equity and assets maintained at high level**
  - ⇒ ROE increased to 17.5% (+1.2pp. y/y)
  - ⇒ ROA maintained at 2.1%
- **Secure and effective structure of the balance sheet**
  - ⇒ Growth of balance sheet total by PLN 11.7 bn y/y to PLN 190.4 bn due to growth of net loans (PLN +5.7 bn y/y), financed by customer deposit increase (PLN +7.9 bn y/y) and bond issue (PLN 2.5 bn and CHF 250 mn on annual basis)
  - ⇒ Loans to stable sources of financing ratio on a safe level of 88.2%, which means improvement by 3.3 pp. y/y
- **Dividend payout along with high capital strength**
  - ⇒ 13.0% CAR and 12.0% Core Tier 1 as at end-1H 2012
  - ⇒ dividend payout at PLN 1.6 bn (40.15% of 2011 net profit) in accordance with new dividend policy

## Basic financial data



		1H 2011	1H 2012	Change
Net profit	<i>PLN mn</i>	1 838	1 953	+6.3%
Result on business activity	<i>PLN mn</i>	5 316	5 791	+8.9%
ROE - net	%	16.3	17.5	+1.2 pp.
ROA - net	%	2.1	2.1	0.0 pp.
C/I	%	39.9	38.8	-1.1 pp.
Gross loans <sup>(1)</sup>	<i>PLN mn</i>	140 970	147 348	+4.5%
Deposits <sup>(2)</sup>	<i>PLN mn</i>	139 093	146 987	+5.7%
Assets	<i>PLN mn</i>	178 702	190 438	+6.6%

(1) Gross loans and advances to customers

(2) Amounts due to customers

## Proposal of strategic alliance with Poczta Polska



In June 2012 PKO Bank Polski put forward to Poczta Polska (Polish Post) the proposal of conclusion the long-term strategic alliance concerning sale of financial services in the Post's network. Conception of the alliance anticipates taking up 100% shares of Bank Pocztowy. The aim of strategic cooperation is taking advantage of income and cost synergy between PKO Bank Polski and Poczta Polska



## An account with PKO Bank Polski without leaving home

The Bank has offered clients the possibility of opening an account via courier. When a client has submitted an application to open an account via [www.pkobp.pl](http://www.pkobp.pl), a consultant from the Retail Clients Centre will telephone him to check his details. On the following day, a courier will deliver the bank account agreement, and after logging onto iPKO the client can perform transactions. The consultant offers help in activating the client's account. He will telephone the client a few hours after the courier's visit. The service has already been introduced to Warsaw on a pilot basis, but will be available throughout Poland by the end of the year.

SMEs

## Credit for businesses, even in a single day

The Bank's offer now includes credit of up to one million zlotys. A decision is reached in as little as 24 hours. Businesses can use it to cover their current liabilities, pay for investments, or settle their indebtedness towards other banks. The basic condition is that they must have been engaged in business for at least 18 months and must have a good credit rating. The credit is available in the following currencies: PLN, USD, EUR, CHF



## PKO Bank Polski credit cards with EMV technology

The Bank has commenced the replacement of Visa credit cards with contactless cards fitted with microchips, and of PKO Visa Gold debit cards with chip cards in 2012. Apart from traditional transactions, the cards may be used for transactions of up to PLN 50 without the need for verification by means of a PIN. The microchip offers additional protection against fraudulent use.



## Western Union money transfers

Following the conclusion of an agreement with Western Union International Bank GmbH, a new service will be launched on 2 July 2012 enabling clients to send domestic and international Western Union money transfers from over 1,100 branches of PKO Bank Polski.



## Convenient service for foreign tourists at the Bank's ATMs

The Bank has enabled holders of Visa cards issued abroad to withdraw cash from ATMs according to the Bank's own exchange rate. Tourists can avail themselves of this service at over 600 ATMs located in the most popular tourist destinations. The Dynamic Currency Conversion (DCC) service allows withdrawals to be settled in EUR, GBP or NOK. For clients who do not choose this option, withdrawals will be settled according to the card issuer's regulations.



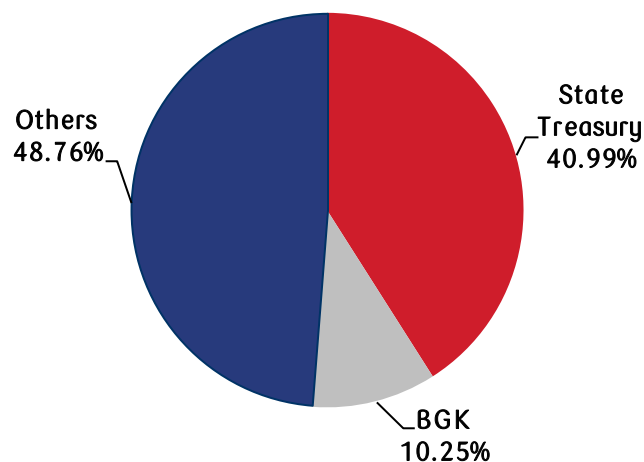
## We serve clients better and better

PKO Bank Polski occupied 7th place out of 22 in a ranking by the *Puls Biznesu* magazine. Anonymous clients rated not only the quality of service in branches, but also the appearance of outlets and the neatness and behaviour of employees. They appreciated the way in which the Bank's consultants present Bank products.

The Bank reached first place in a ranking of bank infolines by *ARC Rynek i Opinia* because of the shortest waiting time to speak to a consultant over the telephone, the expertise of call centre operators, and exhaustive product information in replies to emails from customers.

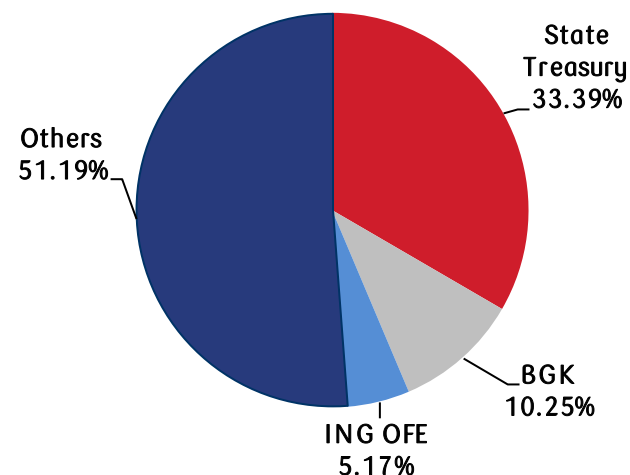
# Change in shareholders structure of PKO Bank Polski

Shareholders structure on 30 June 2012 r.



- On 24 July 2012 State Treasury sold off 95 mn of PKO Bank Polski in block transactions
- Due to the transaction the Bank's shareholders structure has changed:
  - State Treasury share decreased by 7.60 pp.
  - ING Otworthy Fundusz Emerytalny (ING Open Pension Fund) exceeded the threshold 5 % of total number of votes in PKO BP S.A and increased the share to 5,17% from 4,29% before transaction

Shareholders structure on 24 July 2012 r.  
(after settlement of transaction of shares sale by State Treasury)



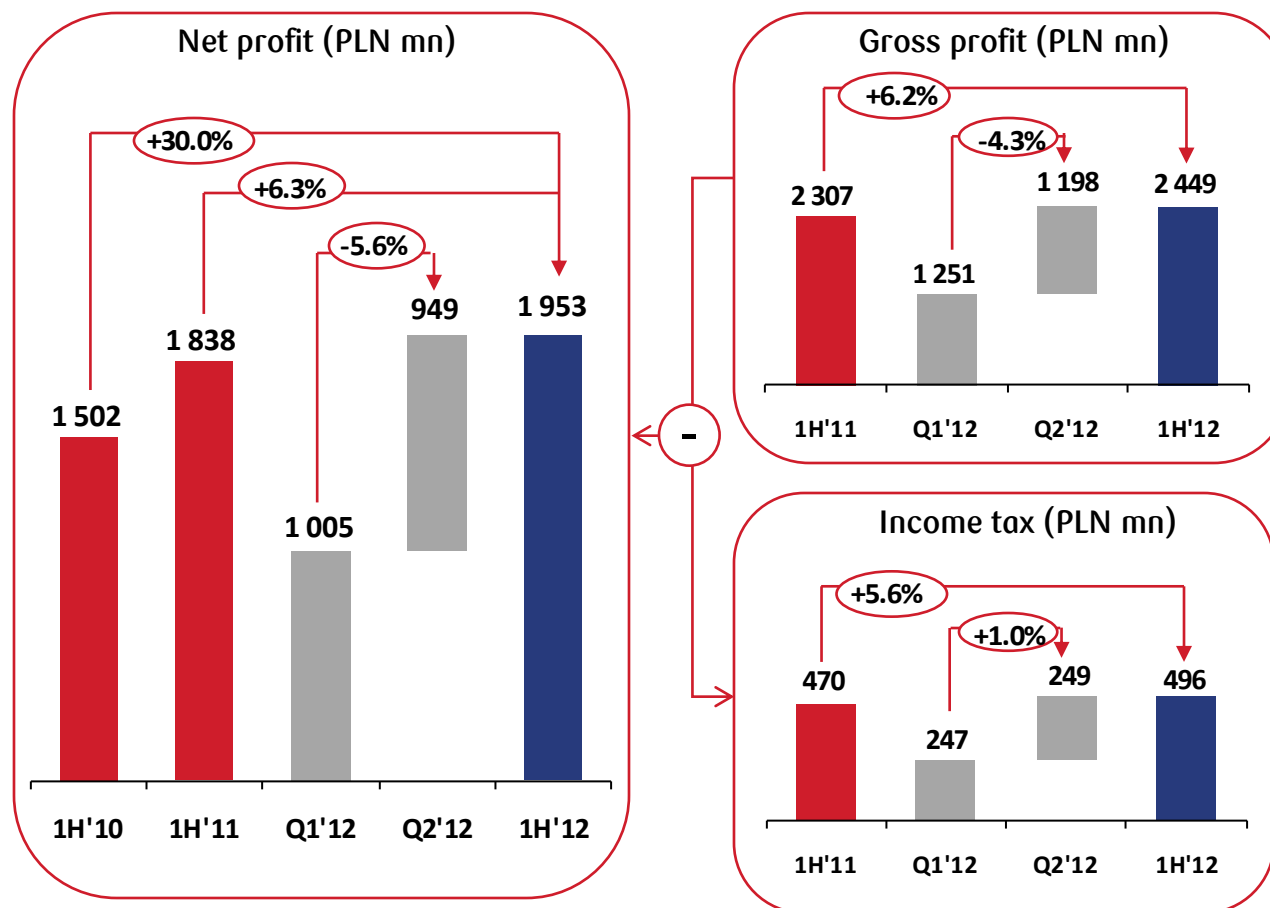
	end-June 2012	end-July 2012
Bank capitalization (PLN bn)	43.3	40.6
Free float (%)	48.8%	56.4%
Free float (mn of shares)	609.5	704.5
Share in WIG 20	13.94%	15.00%
Share in WIG	9.74%	10.00%
Share in MSCI Poland	13.77%	15.35% <sup>1)</sup>

*1) weight announced on 30.07.12, but rebalancing due to change of free float will take place 31.08.12*



## Financial results - profit

### Growth of net profit of PKO Bank Polski Group on annual basis

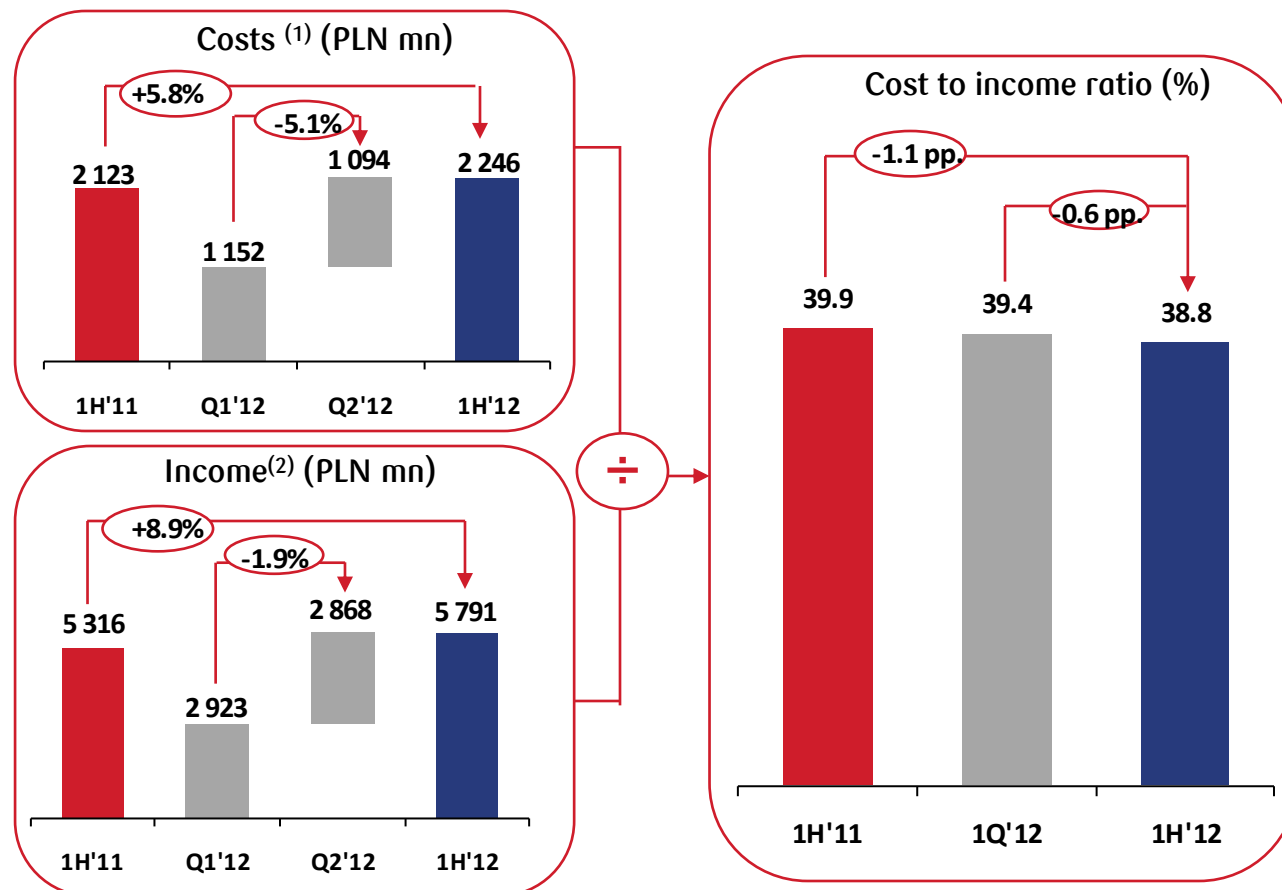


- In 1H 2012 consolidated net profit at level PLN 1,953 mn, 6.3% higher than year earlier
- Group's net profit for Q2 2012 amounting PLN 949 mn 5.6% lower than in previous quarter



## Financial results – revenues and costs

### High operating efficiency - C/I ratio below 40%



In 1H 2012 C/I ratio at 38.8%, 1.1 pp. lower than year ago thanks to:

- increase in result on business activity by 8.9% y/y, mainly due to growth of net interest income
- lower growth rate of administrative expenses (+5.8% y/y)

(1) Administrative expenses

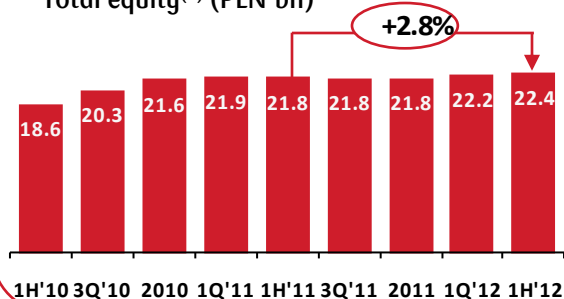
(2) Result on business activity defined as operating profit before administrative expenses and net impairment allowances



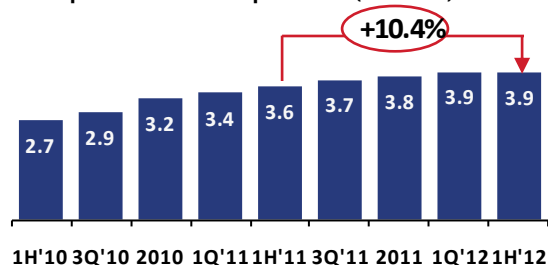
# Profitability

## Growing return on equity

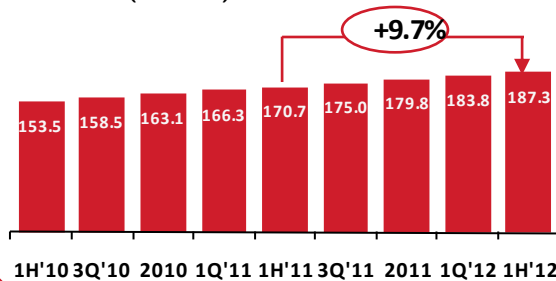
Total equity<sup>(1)</sup> (PLN bn)



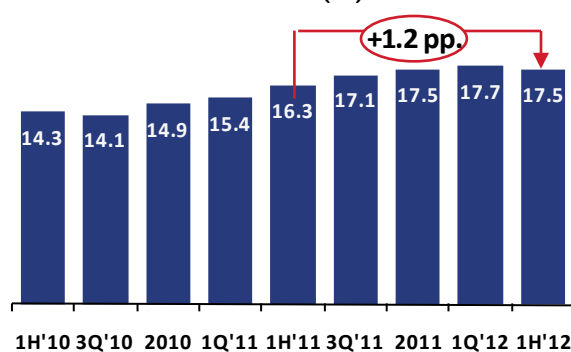
Net profit of last 4 quarters (PLN bn)



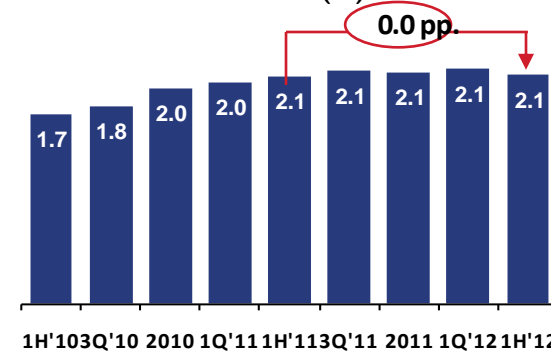
Assets<sup>(1)</sup> (PLN bn)



ROE (%)



ROA (%)



After 1H 2012:

- ROE ratio at 17.5% , 1.2 pp. higher than year ago despite of decrease in total equity as at end-1H 2012 due to dividend payment PLN 1.6 bn
- ROA ratio at the level a year ago 2.1%

(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

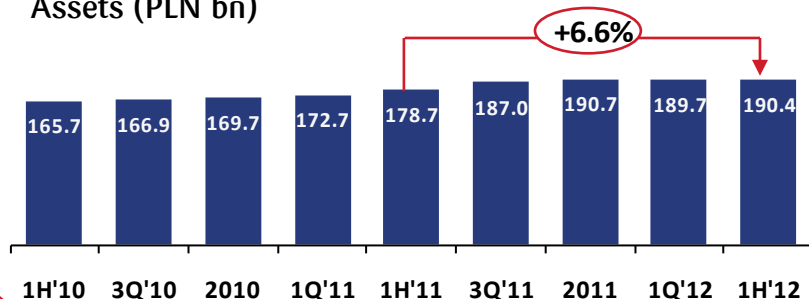




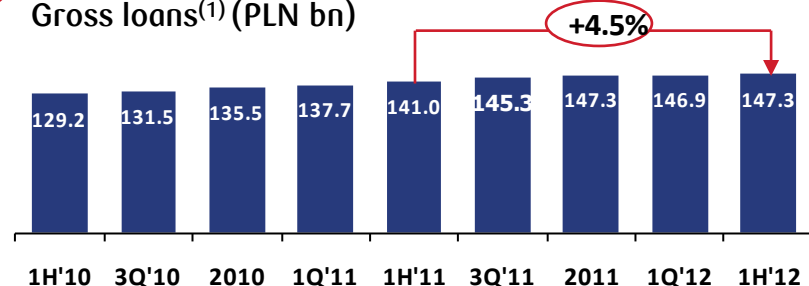
# Consolidated balance sheet

## Stable growth of Group's loans and deposits

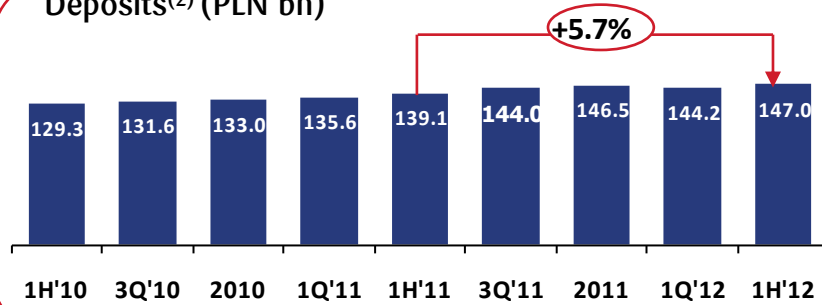
Assets (PLN bn)



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



Deposits<sup>(2)</sup> (PLN bn)



After 1H 2012 increase in volume of:

- assets by PLN 11.7 bn y/y, of which PLN 5.7 bn due to increase in net loans and advances to customers
- gross loans up by PLN 6.4 bn y/y, mainly thanks to increase in volume of mortgage loans (PLN +4.9 bn y/y) and corporate loans (PLN +3.3 bn y/y) along with decrease in consumer loans (PLN -2.1 bn y/y)
- deposits up by PLN 7.9 bn y/y, mainly due to growth of deposits of private individuals (PLN +9.7bn y/y) and state budget entities (PLN +0.6 bn y/y) with drop in deposits of corporate entities (PLN -2.4 bn y/y)

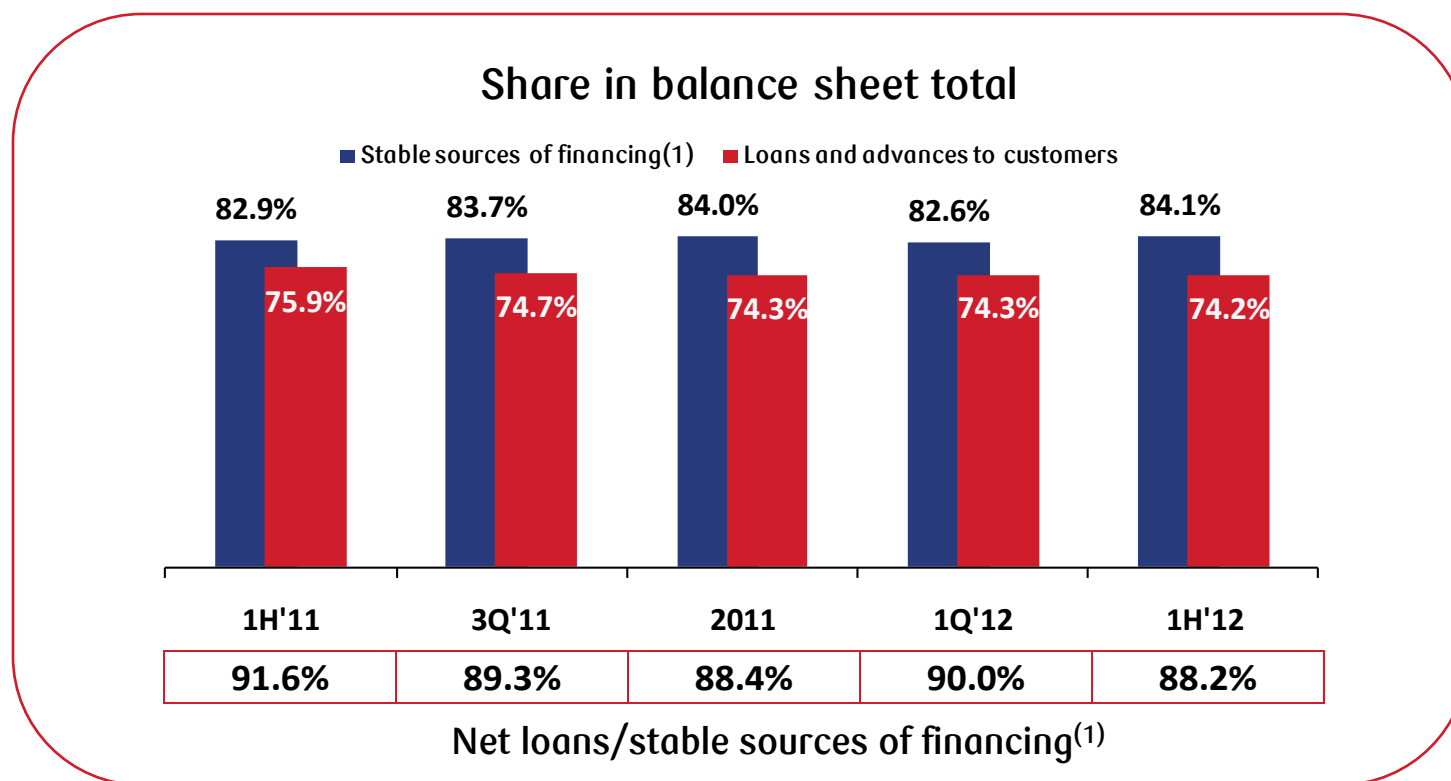
(1) Gross loans and advances to customers

(2) Amounts due to customers



## Balance sheet structure

### Secure and effective balance sheet structure



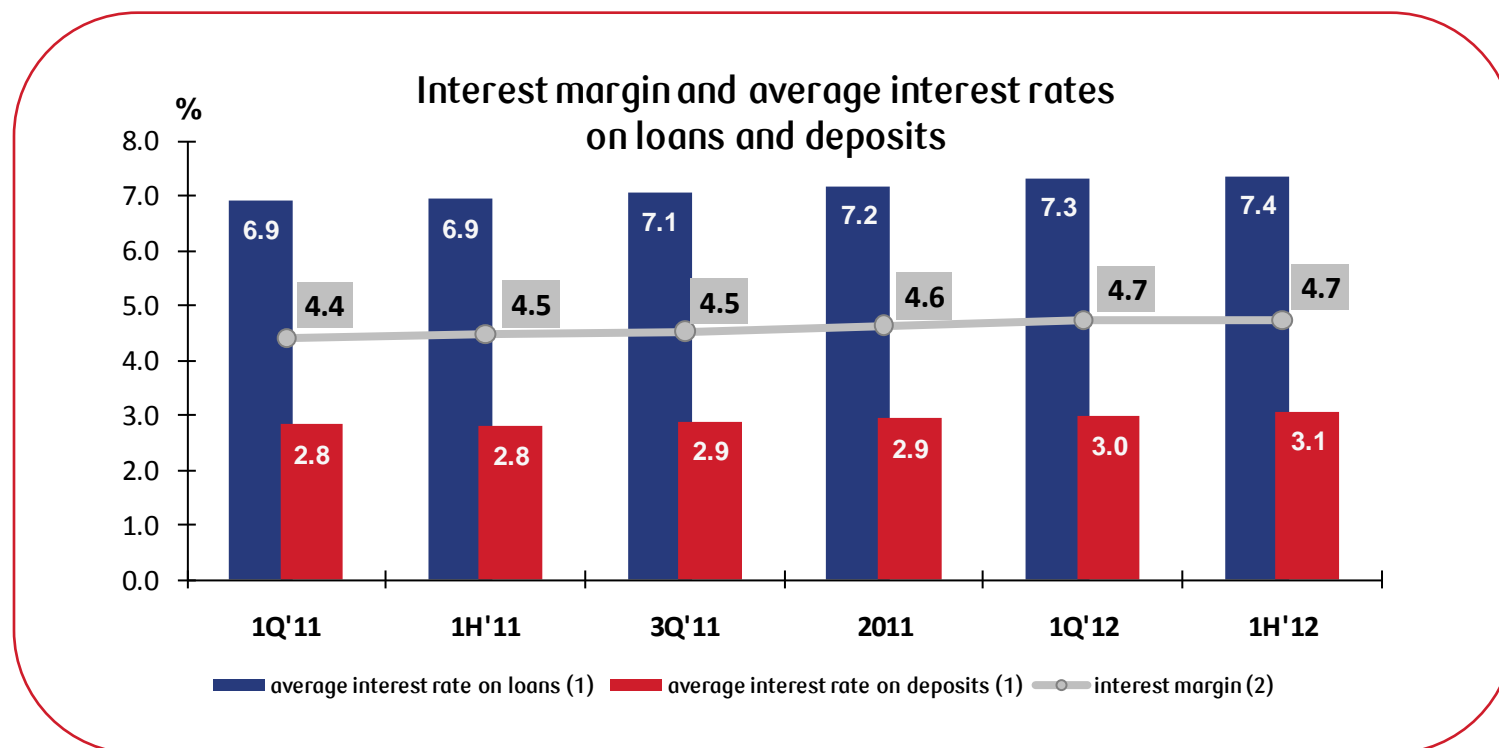
As at the end of 1H 2012

- net loans to stable sources of financing<sup>(1)</sup> ratio at 88.2%, 3.3 pp. lower than a year ago, mainly due to high growth rate of long-term external financing
- Net loans/deposits ratio at 96.2%, 1.4 pp. lower 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 margin

## Stability of net interest margin



- After 1H 2012 increase in interest margin by 0.2 pp. y/y up to 4.7%, thanks to growth of net interest income for last 4 quarters by 15.0% y/y with growth of average interest bearing assets by 8.4 y/y
- In Q2 2012 growth of interest margin by 1 bp. q/q

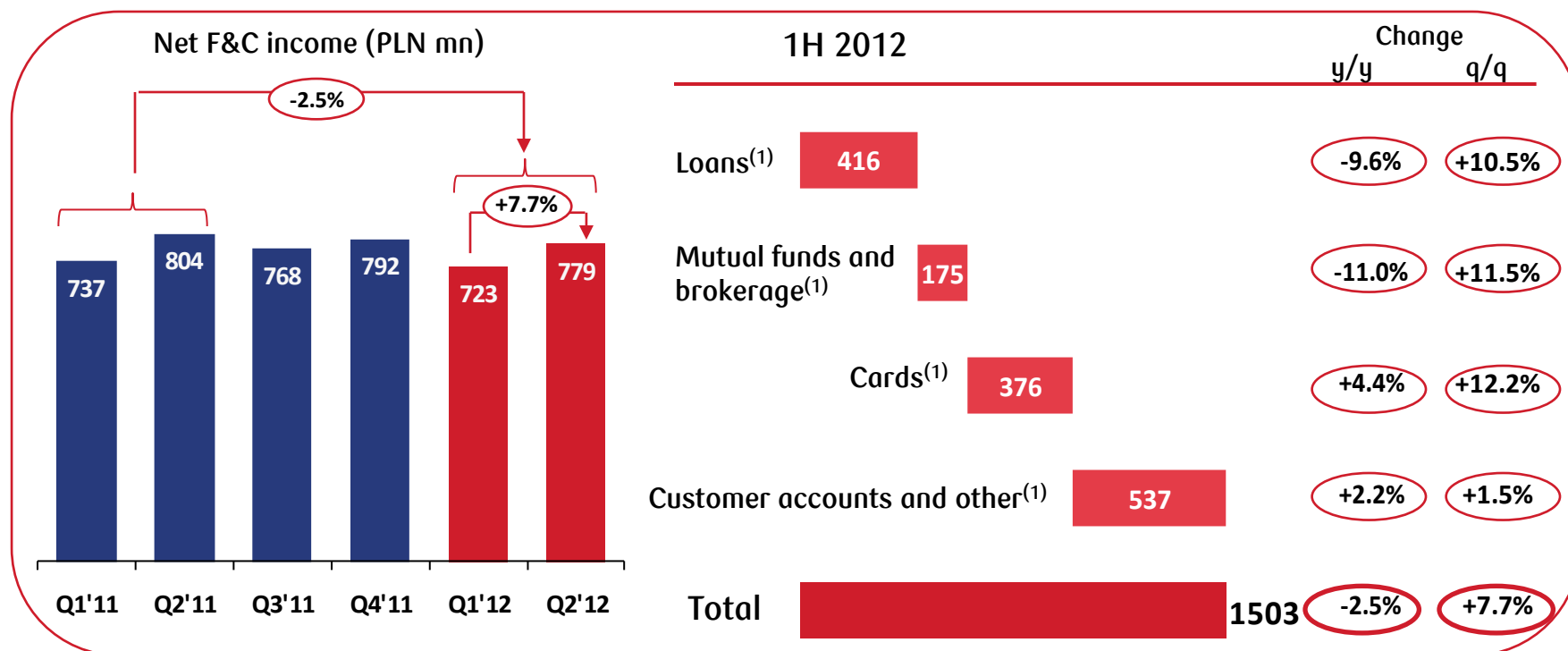
(1) Interest income (expenses) for last 4 quarters / average net loans (deposits) at the beginning and the end of the period of last 4 quarters

(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)



## F&C income

### Growth of F&C result in Q2 2012

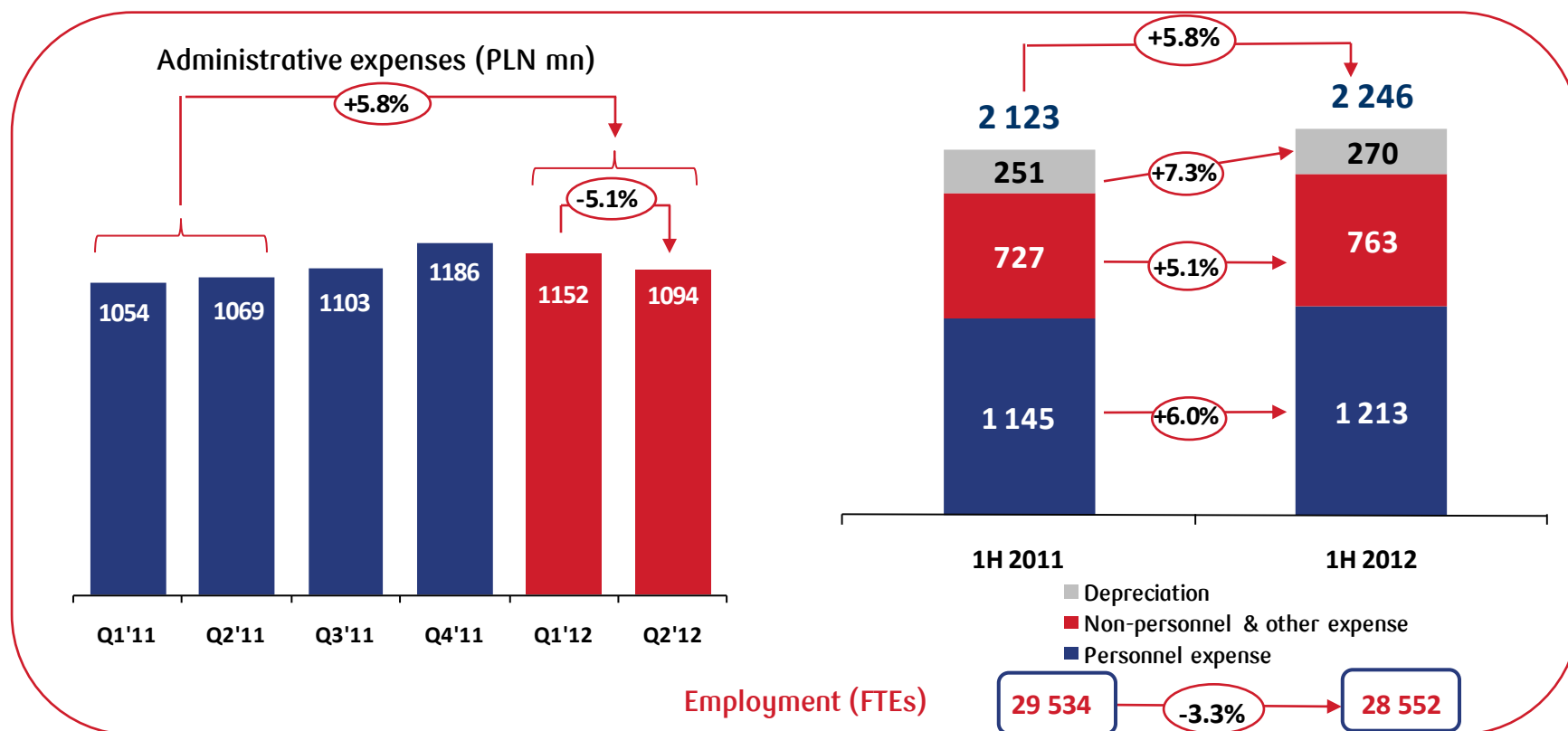


- Growth of F&C result in Q2 2012 by PLN 56 mn q/q thanks to higher F&C income (PLN +72 mn q/q) mainly due to increase in income from payment cards and commission from loan insurance
- In 1H 2012 drop of F&C result (PLN -39 mn y/y) due to lower F&C income (PLN -46 mn y/y) determined by:
  - decrease in commission income in respect of loan insurance (-22.6% y/y), in effect of the decrease in sale of consumer loans with optional insurance
  - decrease in commission income in respect of servicing investment funds and OPF (-18.6% y/y)
  - a decrease in commission income in respect of cash transactions (-17.1% y/y) due to the dynamic growth in electronic banking in Group,
 along with an increase in net income in respect of payment cards (+4.3% y/y)
- 1H 2012 result on interchange fee constituted less than 10% of total F&C result



## Costs

### Lower administrative expenses in Q2 2012

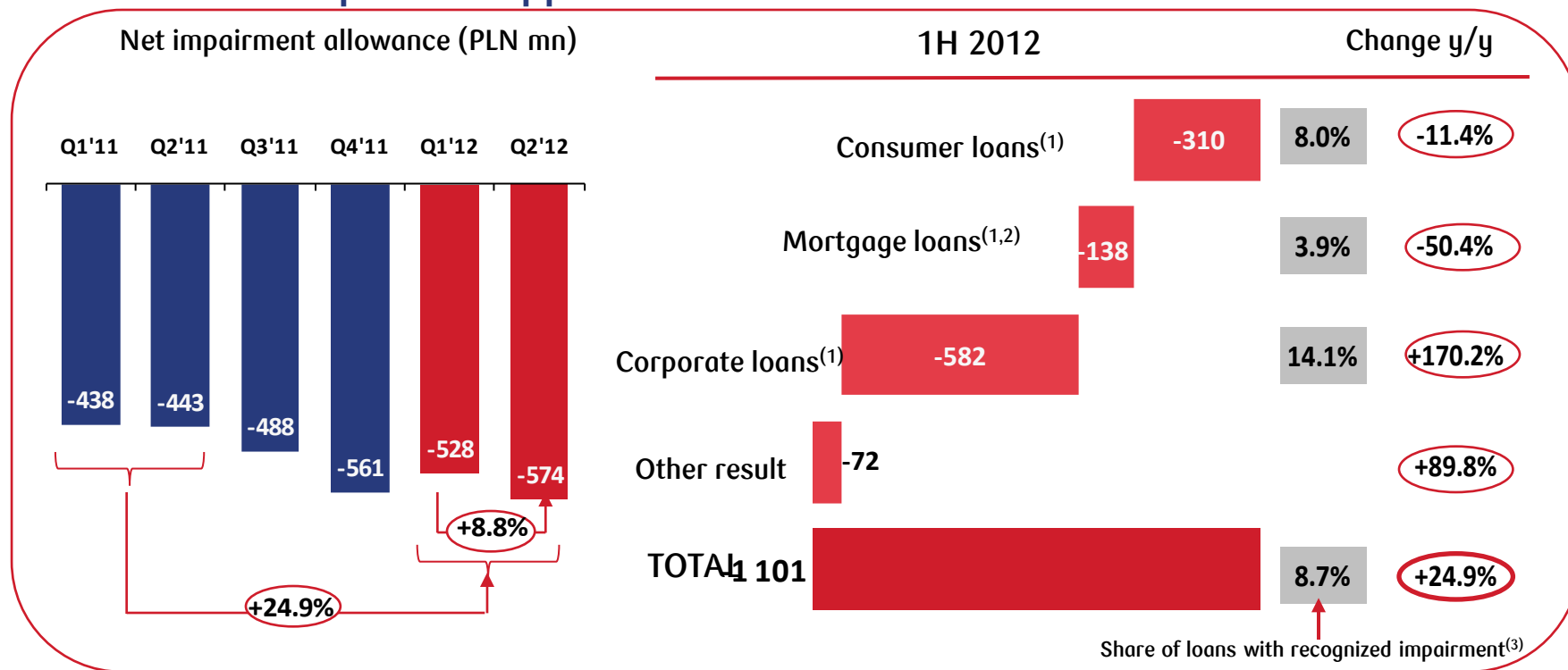


- In 1H 2012 increase in administrative expenses by PLN 123 mn y/y determined by:
  - increase in personnel expense by PLN 68 mn y/y affected mainly by the increase in wages and salaries
  - growth of non-personnel and other expense of PLN 37 mn y/y
  - growth of depreciation by PLN 18 mn y/y
- In Q2 2012 decrease in administrative expenses by PLN 58 mn q/q mainly due to lower by PLN 48 mn personnel expense and lower by PLN 11 mn non-personnel and other costs
- Drop of employment in the Group by 982 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 1H2012 decreased by PLN 220 mn y/y mainly due to deterioration in the result on corporate loans and off-balance sheet liabilities (while improvement in the result on mortgage loans)
- As at the end-1H 2012 share of loans with recognized impairment in mortgage loans amounted to 3.7% for PLN loans and 4.0% for FX loans

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

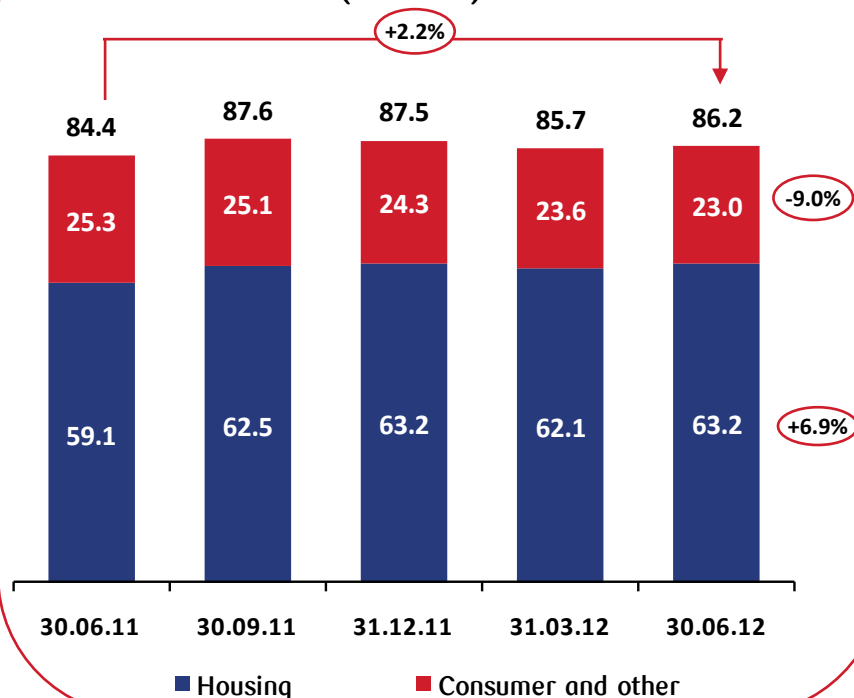
(3) Calculated by dividing the gross carrying amount of impaired loans and advances to customers by the gross carrying amount of loans and advances to customers



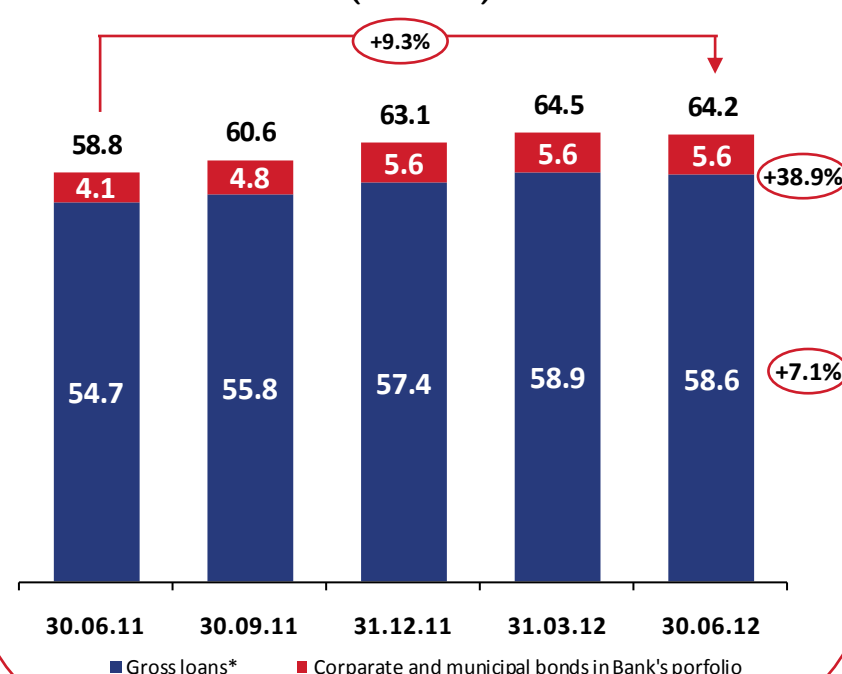
## Lending volumes

### 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 1H 2012 receivables due from institutional entities and gross loans granted to private individuals and grew by PLN 5.4 bn y/y and PLN 1.8 bn y/y respectively

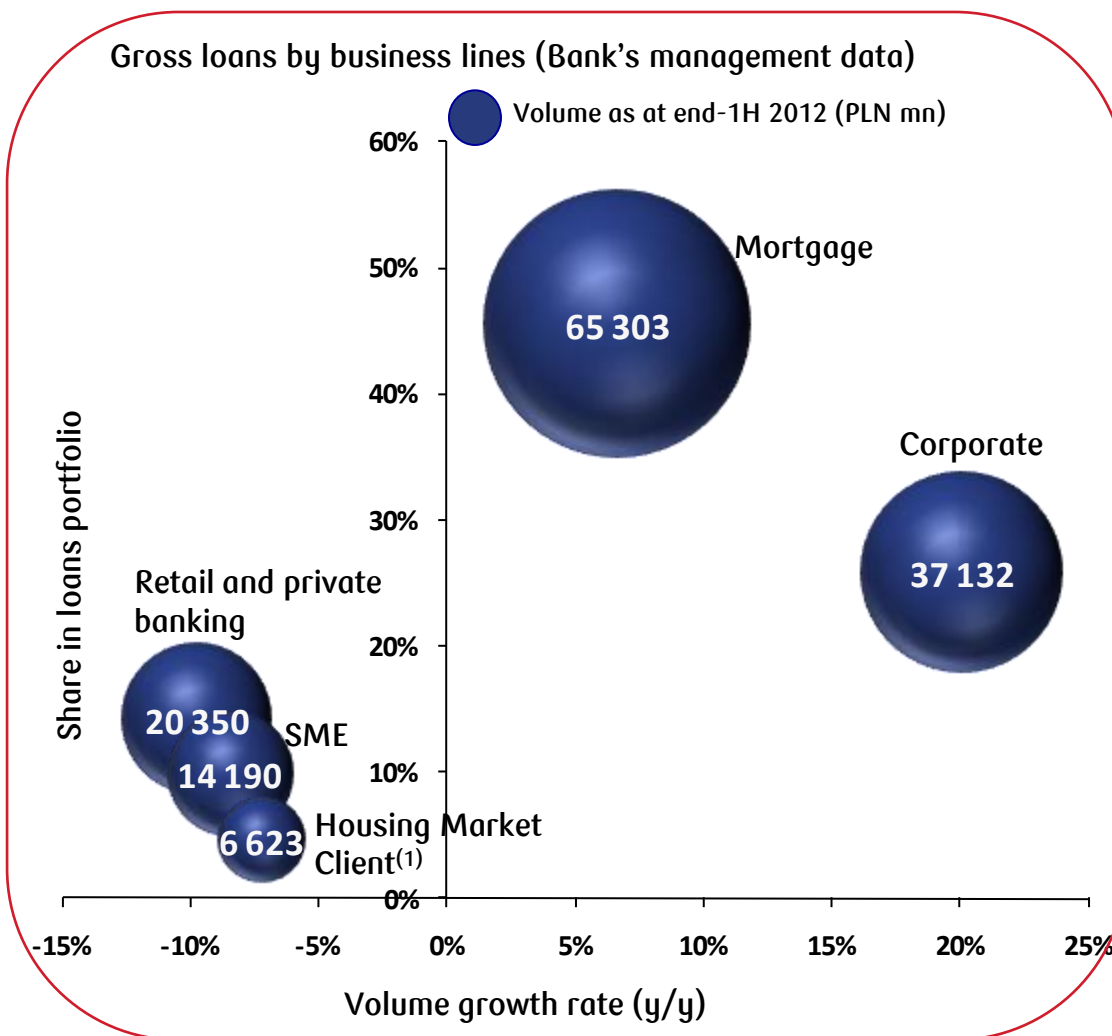
○ Change y/y

\* Data from reports to Polish Central Bank (NBP)



## Volumes - loans

### Growth of loan portfolio thanks to mortgage and corporate loans



#### After 1H 2012:

- mortgage loans volume, which represent 45% of the whole lending portfolio, grew by 7% y/y
- corporate loans, second in terms of size (26% share in lending portfolio), increased by 20% y/y
- retail and private banking loans, with 14% share in total loans, decreased by 10% y/y
- volume of SME loans (10% of whole portfolio) dropped by 8% y/y
- housing market client loans (5% share in portfolio) decreased by 7% y/y

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

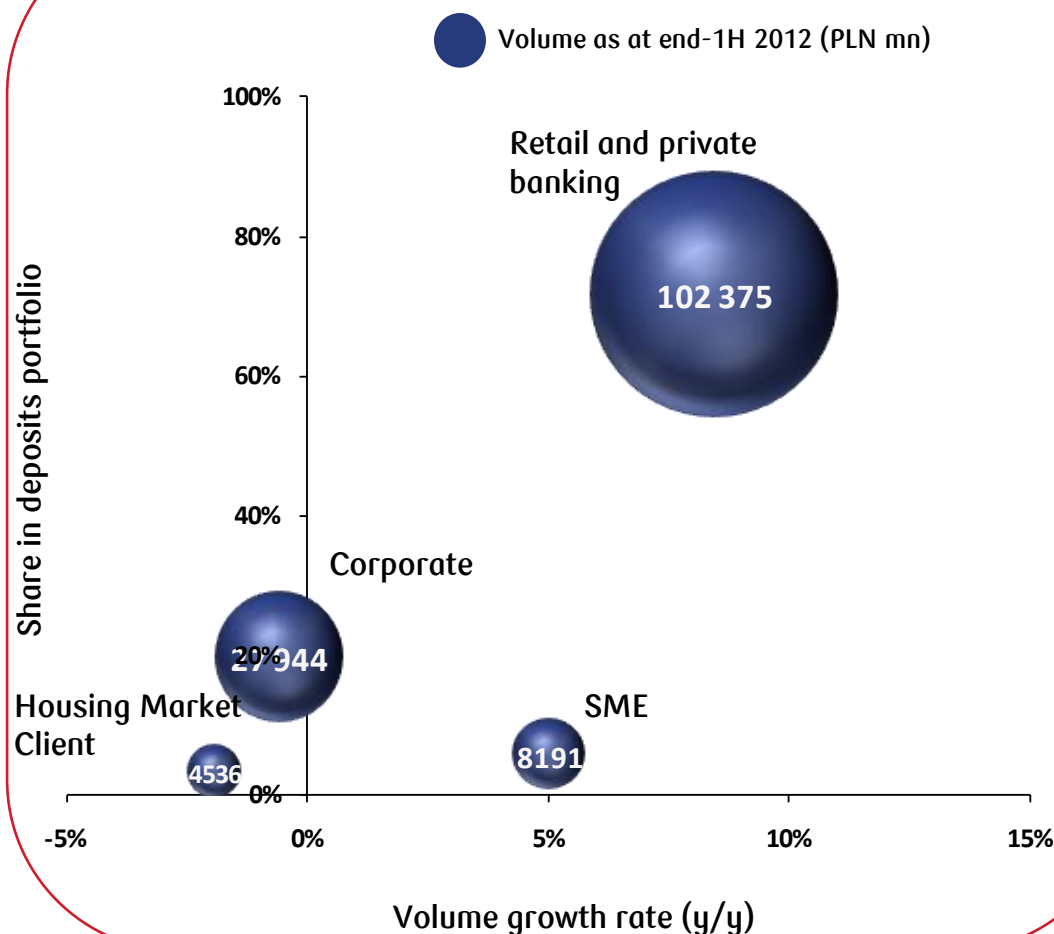




## Volumes - deposits

### Retail deposits fundamental for Bank's deposit basis

Deposits by business lines (Bank's management data)



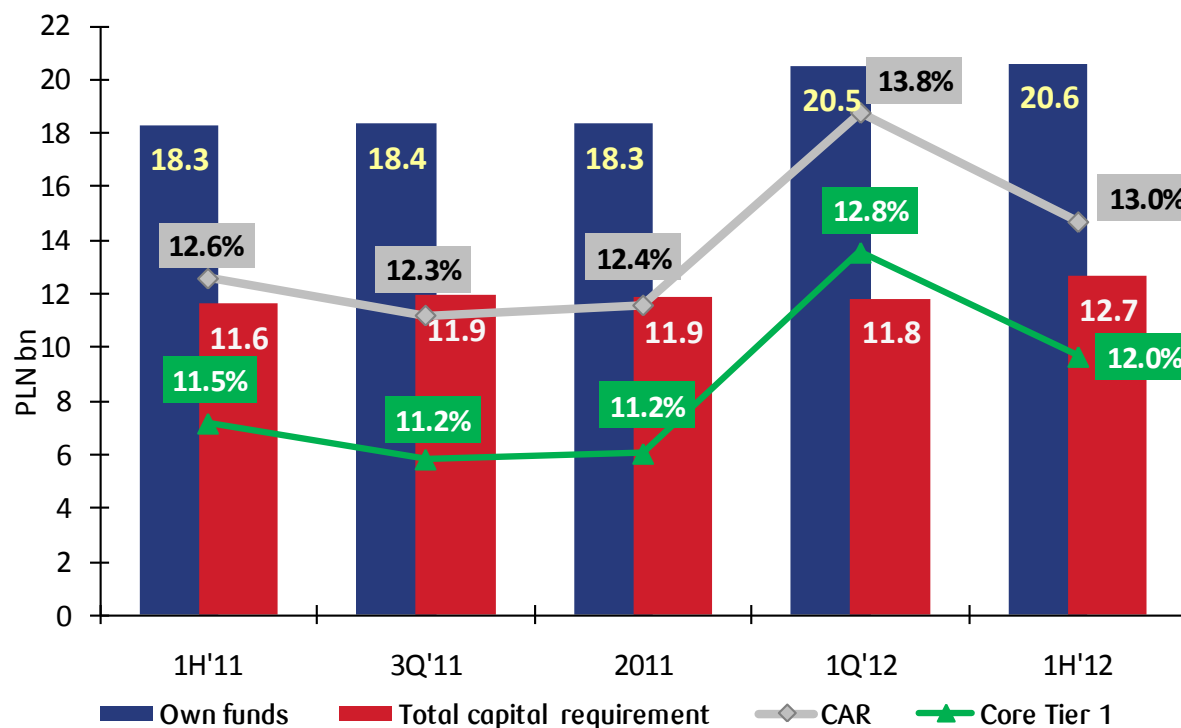
#### After 1H 2012:

- retail and private banking deposits representing 72% of the total deposit base, increased by 8% y/y
- volume of corporate deposits, with share in total deposits at a level of 20% stayed at similar level like a year ago
- SME deposits (6% share in portfolio) were 5% higher than a year ago
- volume of housing market client deposits (3% share in total deposits) decreased by 2% y/y



## Capital adequacy

### Secure level of capital adequacy ratio



- After Q2 2012 capital adequacy ratio decreased by 0.8 pp. q/q due to growth of total capital requirement mainly in respect of credit risk; drop of CAR by about 0.5 pp. was a consequence of entry into force PFSA regulations concerning FX loans



# Basic operational data

Item (eop)	1H'11	3Q'11	2011	1Q'12	1H'12
Number of current accounts ('000) <sup>(1)</sup>	6 282	6 130	6 146	6 123	6 126
Number of banking cards ('000)	7 086	7 097	7 166	7 125	7 122
<i>of which: credit cards</i>	<i>997</i>	<i>1 010</i>	<i>1 009</i>	<i>998</i>	<i>977</i>
Number of branches:	1 201	1 201	1 198	1 196	1 197
- retail	1 134	1 134	1 131	1 132	1 130
- corporate	67	67	67	64	64
Number of agencies	1 709	1 560	1 400	1 253	1 218
Number of ATMs	2 426	2 425	2 457	2 465	2 525

(1) Presentation change in number of current accounts resulting from accounts reclassification.

## 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 8<sup>th</sup> May 2012 Standard and Poor's granted its rating for Bank, done for Bank's order
- On 2<sup>nd</sup> August 2012 Fitch confirmed its rating granted for Bank

## Disclaimer

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.



Bank Polski

# Financial Results of PKO Bank Polski SA Group for 1H 2012

Strong fundamentals and high return on equity

Warsaw, 6<sup>th</sup> August 2012