



Bank Polski

Financial Results of the PKO Bank Polski Group for 2016

6 March 2017

In 2016 we strengthened the leading position among financial institutions in Poland



Bank Polski

1st place
in key market
segments

1st place
in the leasing market

after acquisition of
Raiffeisen Leasing
Polska

The largest
employer

in the financial
sector
headcount of 29.4
thous.

One of the safest
banks in Europe

4th place in
stress tests EBA
2016

9.2 million

customers

Mobile banking
leader

2.0 million

mobile customers

over

2 thous.

offices
including 1.2 own
branches

PLN 285.6

billion

assets

PKO Bank Polski brand awarded in many competitions



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Bank of the Year in Poland as per „The Banker” monthly



Best mobile app in the market
as per „Puls Biznesu” and Bankier.pl



Most digitalised bank
in e-Commerce Polska Awards 2016 competition



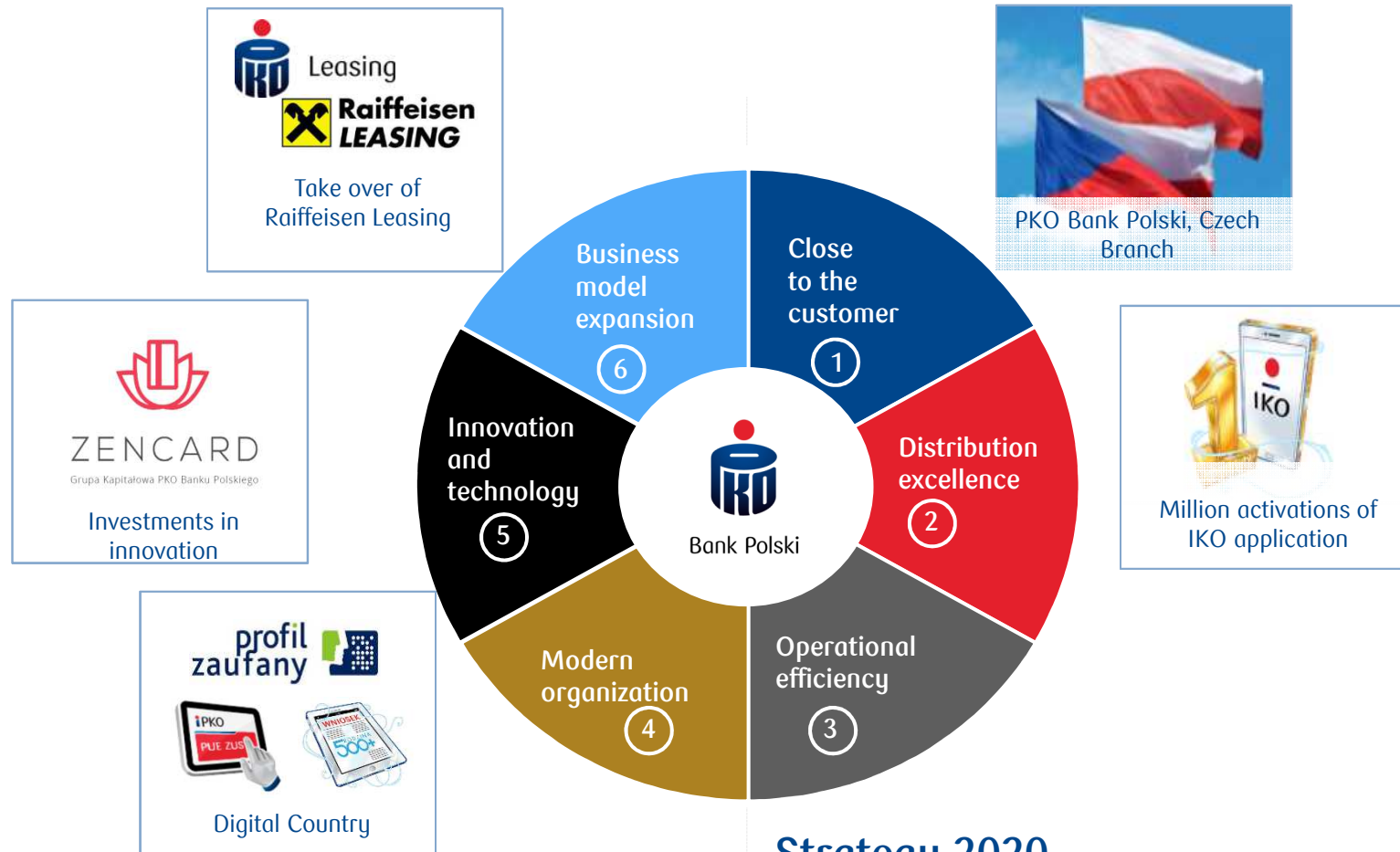
**SKO among the laureates of
Child & Youth Friendly Banking
Award**

PKO Bank Polski maintains a leading market position, improves the quality of the loan portfolio, maintains high efficiency, robust liquidity position and strengthens equity.

We implement strategic projects



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Strategy 2020

„We support the Growth of Poland and Poles”

The strategy of PKO Bank Polski has been based on six levers of sustainable development

We are the technology leader, and we set trends for the banking sector



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The Global Inclusion Awards 2016 for the financial education of children

The educational SKO programme run by the Bank for 80 years has been ranked among the initiatives awarded in the international competition The Global Inclusion Awards 2016. A wide range of innovation and applied solutions has gained appreciation (szkolneblogi.pl platform, an Internet portal for primary school pupils).

PKO Bank Polski launched Poland's first mobile banking application dedicated to the youngest. It is the mobile equivalent of the service PKO Junior, and nearly 200 thousand young customers have access to the same account



2 million of mobile customers – the mobile banking leader

2 million customers log on to iPKO and IKO from mobile devices.

IKO application of mobile banking has fed into the Polish Standard of Payment and BLIK settlement system.

The project "From IKO to BLIK" has been considered the best innovation in the payments world. Currently, BLIK coverage includes approx. 60 per cent. of all customers of domestic financial institutions

Digital Country

As part of the plan for Responsible Development Bank is working closely with government agencies in promoting e-government services that are more convenient for millions of citizens and businesses.

From the Bank's systems, customers can:

- apply for 500+ benefits,
- log in to PUE ZUS (Electronic Services Platform of The Polish Social Insurance Institution),
- create Trusted Profile, which grants access to the administration services via the Internet.



We create a platform for development and support of innovation



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Accelerative programmes

The programme for acceleration of start-ups carried out by the MIT Enterprise Forum Poland in cooperation with leading Polish international organisations, aimed at selecting the best Polish technology start-ups that show relevant business potential.

„Let's Fintech with PKO Bank Polski” programme has gained a grant in ScaleUp competition organized by The Polish Agency for Enterprise Development (PARP) , within the governmental programme Start in Poland



Biometrics

We are engaged in our own research project in cooperation with the Technical University of Gdansk and Microsystem.

The Bank is working on the introduction of the first comprehensive biometric solution in the Polish banking. This technological project aims to develop new ways of authentication: gesture, voice, or scanning pupil.



Start-up fintech

The first equity transaction between a large company and start-up.

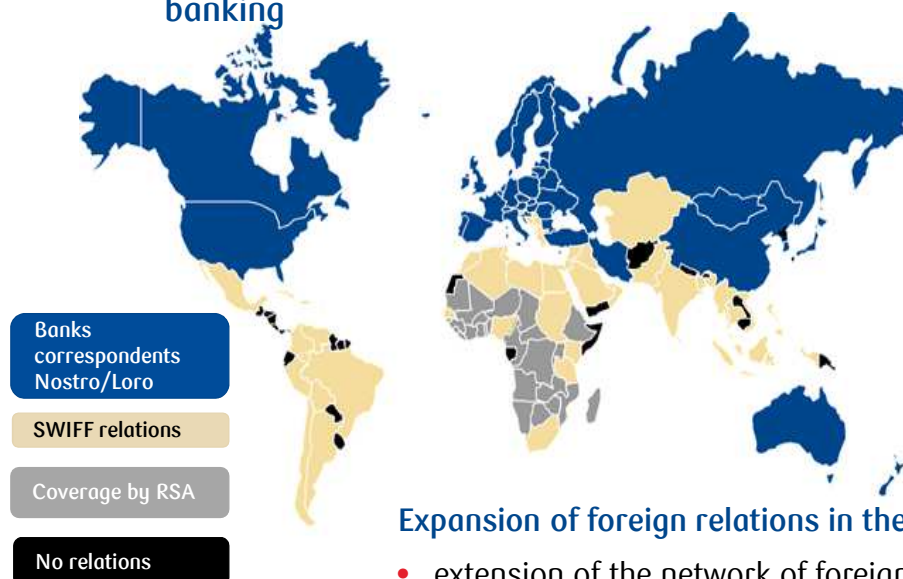
As a result of the purchase of ZenCard Sp. o.o., the Bank has gained access to technology, through which partners (retail networks, shops, services) will be able to outsource the creation of loyalty programmes and accurately assess the needs of their customers.

We develop the scope of support for Polish companies in their expansion into foreign markets



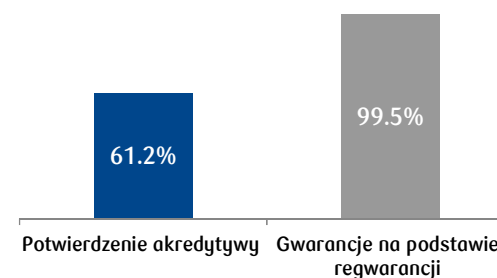
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Cooperation in the field of correspondence banking



Strong development of transactional banking

2016, transaction value, y / y



Expansion of foreign relations in the field of accounting (2016)

- extension of the network of foreign correspondent (22 new LORO accounts and 4 NOSTRO accounts),
- SWIFT key exchange with 72 new foreign banks,
- as the first bank in Poland, we established direct relationships with banks from South Africa, creating a hub for settlement of payments and trade finance with the countries of Sub-Saharan Africa.

Support for Polish companies in foreign expansion

- branch for corporate customers in Frankfurt am Main,
 - significant part in financing the acquisition of the German company by the Polish customer of the Bank,
- in the first half of 2017, branch for corporate customers in the Czech Republic.

A platform for companies developing export activities – under development

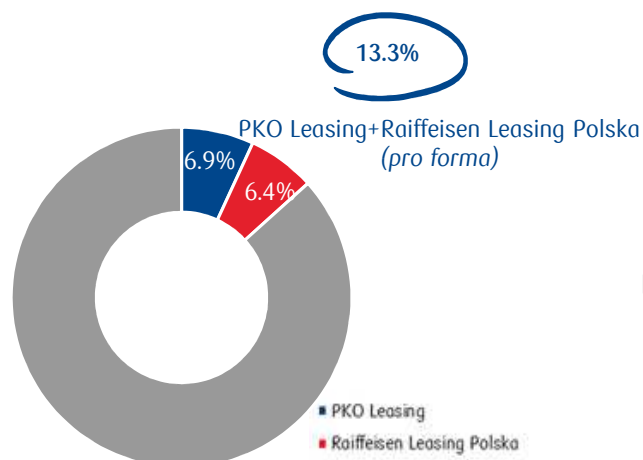
We strengthen the strategic position in the SME segment among others, through the acquisition of Raiffeisen Leasing Poland



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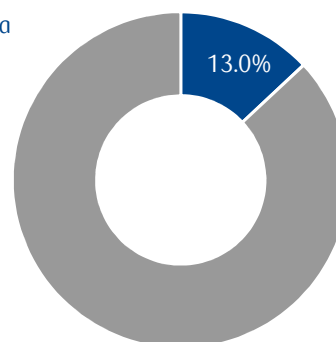
Market share, 2016

Leasing

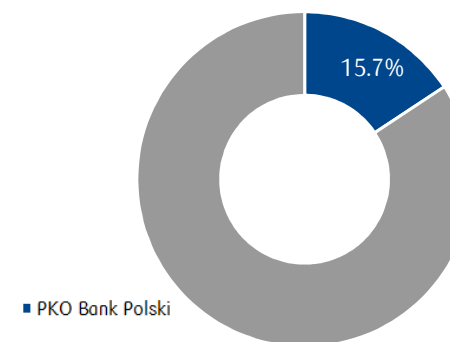


Loans

SME



Private Business



To meet expectations of customers, PKO Bank Polski Group has introduced a new offer of accounts for businesses:



PKO Konto Firmowe for individuals engaged in a sole trader business, professions and farmers, who appreciate financial support of their companies both via modern electronic banking services, as well as through a dedicated advisor in the Bank's branch.



PKO Rachunek dla Biznesu created for businesses with higher requirements; provides access to advanced Internet banking iPKO business and cash-managements services, low costs of transactions conducted via the Internet and other modern banking products and services, including the Internet transfers SEPA with the best price-to-offer ratio on the market.

Standalone data

We have access to innovative technology platform for small and large businesses with the plan for the loyalty programme



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ZENCARD

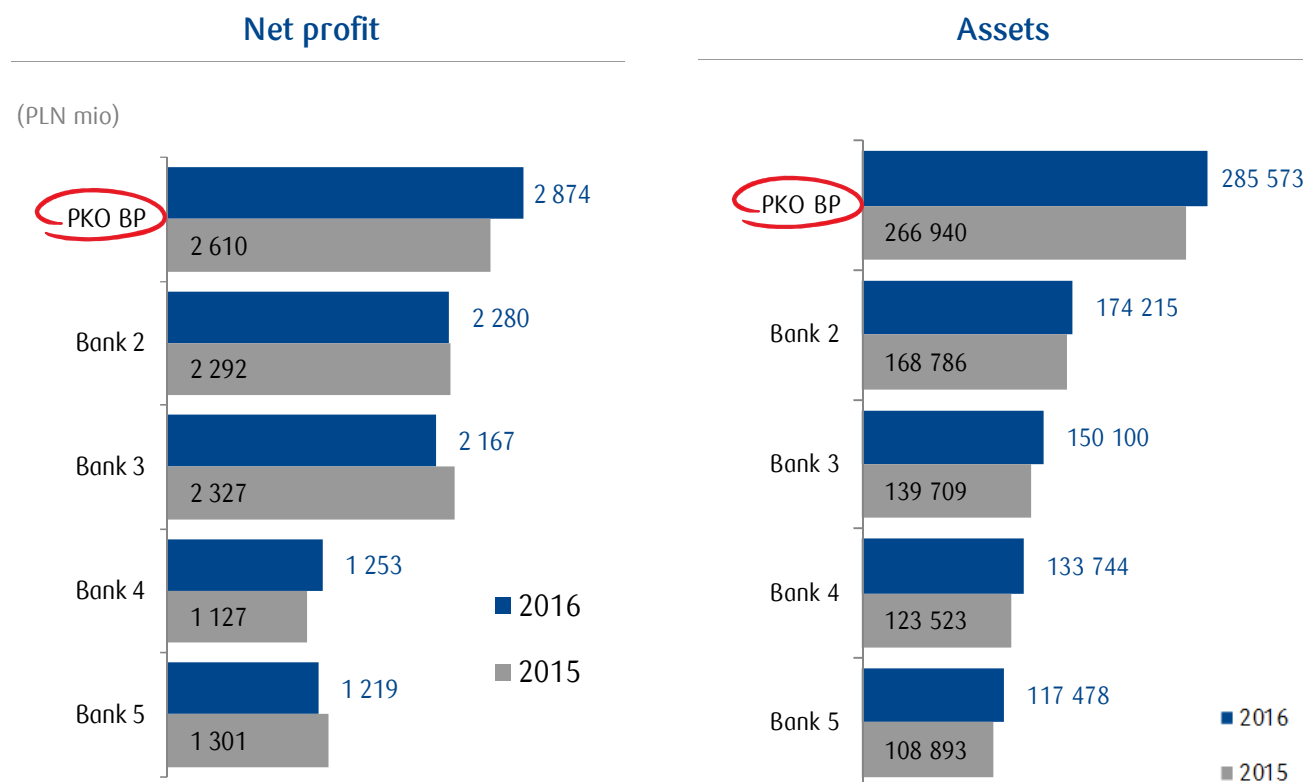
Grupa Kapitałowa PKO Banku Polskiego

New possibilities:

- Virtualisation of loyalty card at any card payment
- New loyalty programmes
- Purchase analysis
- Omnichannel (customer identification and uniform action in stores)
- Automation of settlements and geo-targetting
- Automatic cross-campaigns



We have developed the highest net profit in the financial sector (21% of the profit of the banking sector), and have remained the leader in terms of assets (~ 17% of banking sector assets)



consolidated data

Selected business initiatives in the fourth quarter of 2016



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Purchase of Raiffeisen-Leasing Polska by PKO Leasing

The purchase of 100 percent of Raiffeisen-Leasing Polska shares from Raiffeisen Bank International by PKO Leasing has been finalised. By combining the two companies, PKO Leasing will become the industry leader with a market share exceeding 13 percent. The transaction was financed with own funds of PKO Bank Polski and will have an impact on the capital ratios of the Bank and the Group.



Permit of Czech supervisory authorities for the opening of PKO Bank Polski, Czech Branch

Following two months of transmission of the notification to the Czech supervisory authorities, the Bank received approval to start operation of the Czech Branch by PKO Bank Polski. The branch is to open in the first half of 2017, and its business will focus on serving corporate customers, similar to the business of the corporate branch in Frankfurt.



Bank Hipoteczny

The debut of PKO Bank Hipoteczny mortgage bonds in the international market

PKO Bank Hipoteczny issued 500 million euro worth bonds with a maturity of 5 years and 8 months with fixed yields for their purchasers in the amount of 0.178 percent. In the process of building a demand book, 90 investors made a declaration of purchase for a total amount of approx. 1.5 billion euro. Among the institutions which will acquire mortgage bonds, there are investors from 18 countries.



Million activations of IKO application

PKO Bank Polski's IKO application has reached a scale unprecedented in the Polish banking market - a million activations. Upon crossing this threshold, the Bank has offered new features to IKO users: by way of illustration, possibility of making deposits in cash deposit machine with BLIK code, a new menu to reach application features faster, possibility of logging with a fingerprint in the Android app and easy payments in the account with QR codes



Over PLN 200 billion loans in the portfolio – PKO Bank Polski group is a leader in the sector

In 2016 Q4, the volume of loans of PKO Bank Polski Group exceeded PLN 200 billion, most of which are mortgage loans. Steady growth of portfolio volume coincides with quality improvement. Continuation of the sustainable growth of lending is the main goal for 2017.



Over 55 thousand Trusted Profiles in PKO Bank Polski

9 thousand Trusted Profiles were created at bank transactional sites within the first three days of launching the services. PKO Bank Polski has been the first bank to offer this opportunity to customers. This is a breakthrough in supporting e-government services and significant convenience for millions of citizens and businesses. A trusted profile facilitates online access to the state administration, as convenient. Currently the Profiles are used by over 55 thousand Bank's customers.



Dom Maklerski

PKO Bank Brokerage House - leader of the National Survey of Investors in 2016

New SUPER IKE account facilitates making investments both in instruments listed on the Warsaw Stock Exchange and Treasury bonds, it is a unique offer on the Polish market.

PKO Brokerage House is building a leading position in the market. It has become the leader of the National Survey of Investors in 2016 – thanks to professionalism of the staff, trading platform, the quality of analysis and educational offer, that gained a widespread appreciation.

Financial summary



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		4Q'16	4Q'15	Change y/y	Q4'16	Q3'16	Change q/q
P&L items (PLN mn)	Net interest income	7 755	7 029	+10.3%	2 021	1 971	+2.5%
	Net F&C income	2 693	2 851	-5.5%	705	686	+2.7%
	Result on business activity	11 791	10 665	+10.6%	2 917	3 041	-4.1%
	Administrative expenses	-5 590	-6 036	-7.4%	-1 456	-1 378	+5.7%
	Net impairment allowance	-1 623	-1 476	+9.9%	-421	-419	+0.5%
	Bank tax	-829	—	x	-234	-225	+3.9%
	Net profit	2 874	2 610	+10.1%	593	769	-22.8%
Balance sheet (PLN bn)	Assets	285.6	266.9	+7.0%	285.6	275.6	+3.6%
	Net loans	200.6	190.4	+5.4%	200.6	193.2	+3.8%
	Deposits	205.1	195.8	+4.8%	205.1	201.2	+1.9%
	Stable financial resources	239.7	224.1	+6.9%	239.7	230.7	+3.9%
	Total equity	32.6	30.3	+7.6%	32.6	32.3	+0.8%

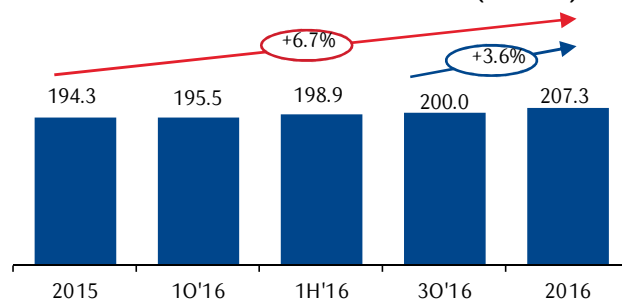
Business volumes – trends by business lines

Dynamic growth of volumes of deposits and gross loans

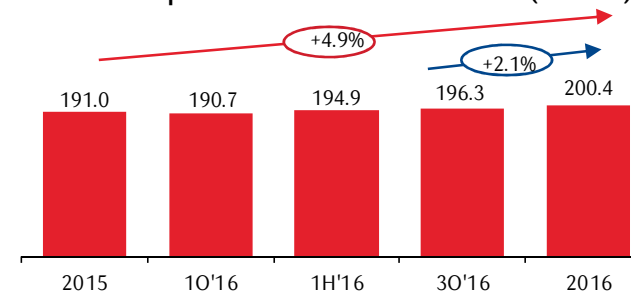


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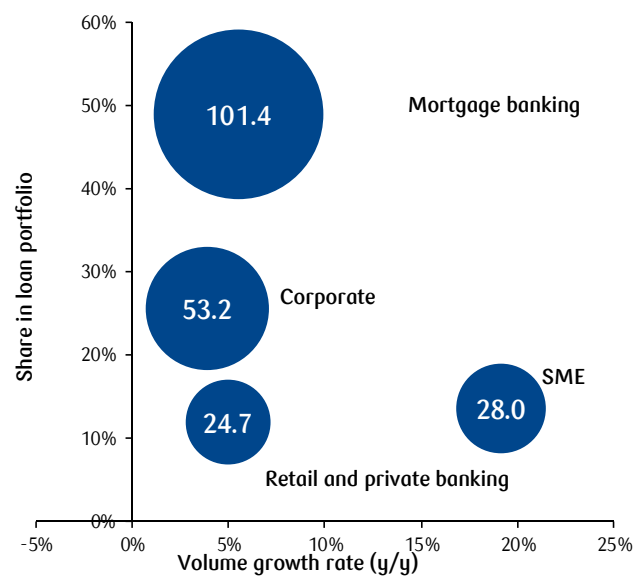
Gross loans – sum of business lines (PLN bn)



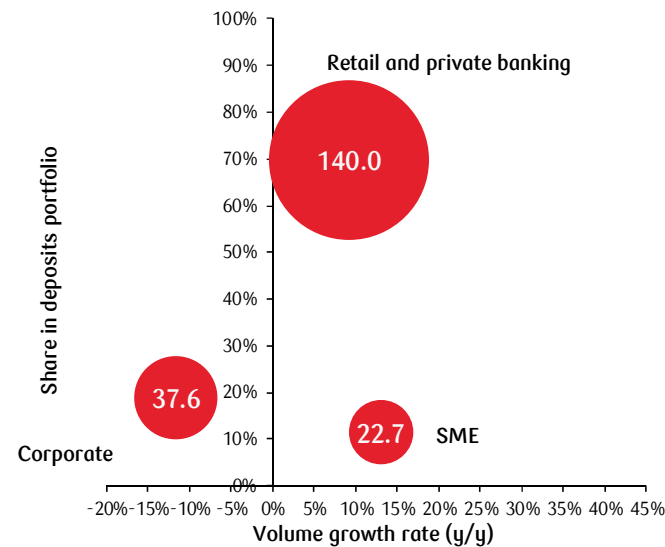
Customer deposits – sum of business lines (PLN bn)



Gross loans by business line as at 31/12/2016



Customer deposits by business line as at 31/12/2016

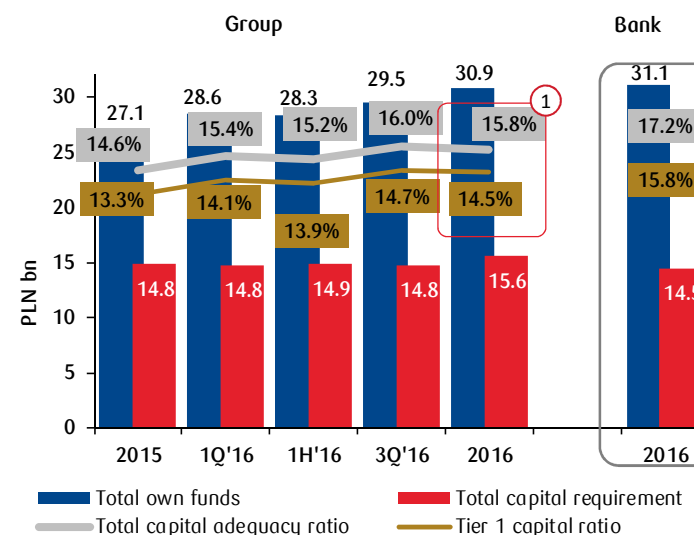
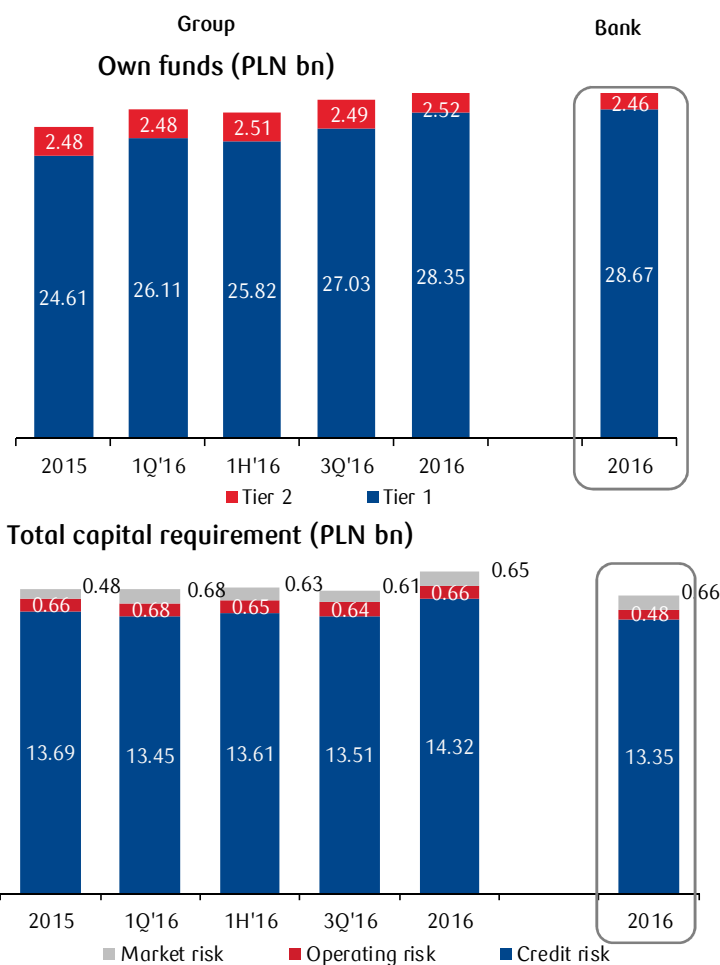


Capital adequacy (1)

Solid capital position



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1 The level of capital adequacy ratios of the Group remained at a safe level, above regulatory requirements.

The level of adequacy ratios in Q4 2016 was mainly determined by:

- retaining all of 2015 profit of PLN 1 250 mn and allocating of Q3 2016 profit of PLN 438 mn to own funds,
- the increase in Group's assets due to the acquisition of Raiffeisen Leasing by PKO Leasing SA.

Key financial data



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Increase in net profit

Net profit generated in 2016 amounted to PLN 2.9 billion and was higher by 10.1% as compared to 2015

Increase in revenues

Consolidated result on business activity in 2016 amounted to PLN 11.8 billion (+ 10.6 % y / y), mainly due to the increase in net interest income of 10.3 % y / y and the net other income 70.9%

Efficient operations

Cost to income ratio (C / I) in 2016 of 47.4%
Return on equity (ROE) of 11.7%*
Return on assets (ROA) of 1.4%*

Sound capital position

The ratio of loans to stable sources of financing of 83.7%
The total capital ratio of 15.81% and Tier1 capital ratio of 14.51% (for the Bank respectively: 17.19% and 15.83%)

Adoption of the Strategy for the years 2016-2020

The new strategy for the years 2016-2020 in the perspective of 2020, assumes, by way of illustration: ROE above 10%, decrease in the C / I ratio to below 45%, maintenance of risk cost in the range of 75-85 bps.

* Excluding bank tax

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