



Bank Polski

Financial Results of the PKO Bank Polski Group for the year 2014

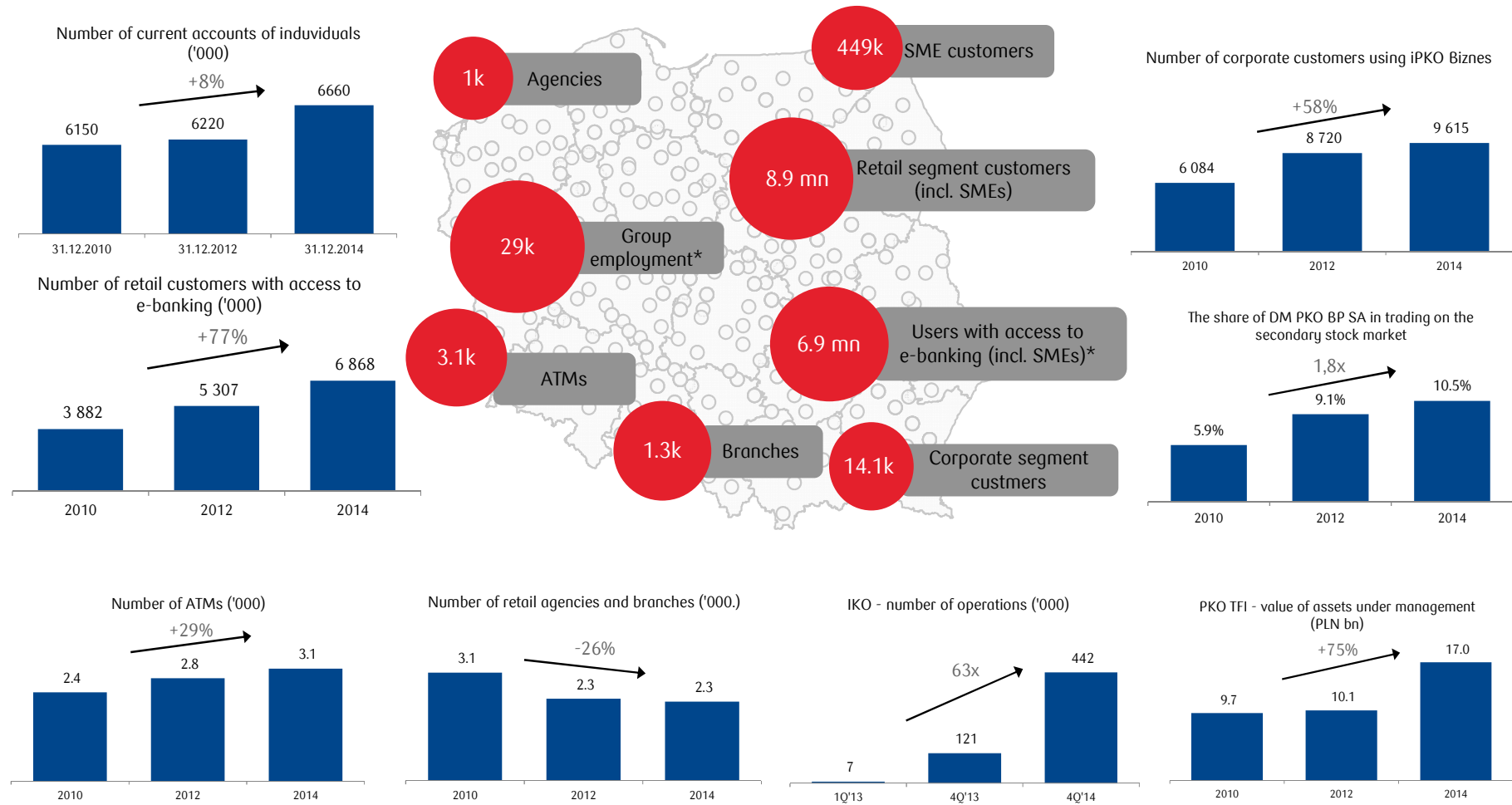
Accelerated growth and successful transformation

Warsaw, 16 March 2015

PKO Bank Polski is a clear leader of Polish banking sector



Bank Polski



* FTEs

Selected business achievements of PKO Bank Polski in 2014



Bank Polski



Merger with Nordea Bank Polska

The legal merger of Nordea Bank Polska and PKO Bank Polski took place on 31 October 2014; as attested by the registration of it in the National Court Register. Merger of the two entities occurred within 7 months of the formal completion of the acquisition of a specified part of the Nordea assets in Poland; one of the most efficiently executed integration processes in the market.



Formation of the Mortgage Bank

PKO Bank Hipoteczny (a mortgage bank) applied to the Polish Financial Supervision Authority ('PFSA') for a permit for commencement of operations. In August 2014 PKO Bank Polski obtained the PFSA approval for incorporation of the mortgage bank. PKO Bank Hipoteczny was established in October 2014. The final step preceding its operational launch was the granting by PFSA of the permit for commencement of operations.



New insurance services model

Nordea TUnŻ, a company the Bank has acquired and renamed PKO Ubezpieczenia, now serves as the basis for offering life insurance products to the Bank's customers. The Bank is in the process of establishing a company that will offer non-life insurance services. With the additional changes the Bank as planned for the year 2015, its customers will be able to take advantage of an ever improving offer of insurance products tailored to their needs.



Common Mobile Payments Standard

PKO Bank Polski and five other banks came to an agreement on strategic cooperation to develop a common mobile payments standard. The IKO implemented by PKO Bank Polski serves as the core of this new mobile payments standard.



Programme for development of electronic banking

The Bank implemented a new version of the iPKO service, a modern solution that helps customers use the electronic channels. That led to expansion of its product and functional offer within the internet channel (among others, auto-dealing platform, platform for investing in the Forex market). New functionalities upgrading the user experience were also implemented in the electronic banking system serving the corporate clients (iPKO Biznes). The basic tool the advisers use in the Bank branches (Financial Terminal) was replaced and integrated with CRM class solutions.

Business priorities of PKO Bank Polski in 2015



Bank Polski



Complete post-merger operational integration of the two banks and achievement of synergies

The first half of 2015 will be spent on an operational merger process involving integration of the IT systems of the acquired bank with those of PKO Bank Polski. Completion of that phase will have ensured complete uniformity of operations, among others, in terms of the standard and access to outlets and transaction systems for all the customers and clients. This will have enabled: achievement of the anticipated synergies and competencies of both the organisations; complete incorporation of the Nordea Bank Polska's network of corporate centres into the Bank's selling structures; and provision of the Bank's integrated product offer to all its corporate clients. The Bank expects to realise PLN 139 million worth of synergies from the merger in 2015 and ultimately PLN 278 million in the subsequent years.



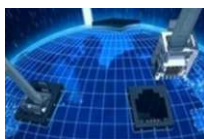
Development of mortgage banking

PKO Bank Hipoteczny will offer long-term mortgage loans to the retail customers and issue long-term covered bonds. PKO Bank Hipoteczny is intended to sell ca PLN 300 million worth of loans per month. These will be funded primarily with covered bonds. The new mortgage banking model is being implemented in order to: ensure a safe long-term funding structure for the mortgage loan portfolio; to complement the lending offer with fixed rate loans; and to optimise interest expense.



International expansion

PKO Bank Polski plans to launch its corporate outlet in Germany in 2015, which forms part of its international expansion strategy; aimed at following the clients. The Bank's clients include companies which already operate internationally on many markets as well as those that aspire to develop their operations on international markets. The branch, which will operate under the name PKO Bank Polski Niederlassung Deutschland, will be domiciled in Frankfurt am Main. The services this outlet would offer will include: transaction banking products, including international cash pooling, integrated electronic banking, treasury products, trade finance, international market advisory, international loans..



The omni-channel approach

The Bank will work on implementation of the omni-channel concept, which will enable the customer to choose the most suitable channel of interaction with the Bank at every stage of service provision: the multi-channel service model will be achieved through integration of the remote and the traditional banking. The plans also provide for further modernisation of the branch network, and for undertaking of actions supportive of the adviser based sales model (advisory focused on building a positive customer experience in interaction with the Bank).



Development of bancassurance

In 2015 the Bank plans to bring together nearly all of the non-life insurance sold throughout the PKO BP Group in a newly established company. The strategy of the new bancassurance model also provides for the possibility of building a joint venture with a strategic partner (its selection will take place no earlier than in 2015, at completion of the Recommendation U impact analysis). Complete rollout of the new bancassurance model will take place within the next two years. The development of insurance and investment product sales is undertaken to expand the offer for the customers and to diversify the Bank's revenue sources.

Executive summary of financial performance



Bank Polski

- 31 October 2014 marked the closing of the legal merger between Nordea Bank Poland and PKO Bank Polski, which completed the formal stage of integration of the two banks. Since November 2014 NoBP results are being booked in the Bank's standalone financial statements.
- Consolidated net profit earned in 2014 amounted to PLN 3,254 million (an increase of 0.8% y/y). Excluding the one-off income from the sale of the majority stake in eService in 2013, which increased the reference base, net profit grew at 16.7% y/y.
- The 2014 consolidated net income on business activity of PLN 11.1 billion (+4.1% y/y and +10.3% excluding the eService transaction effect) was determined by:
 - 11.9% y/y growth in net interest income
 - 84.9% y/y growth in net income on financial operations
- **Market position 'leapfrogged'**
 - asset base increased to PLN 248.7 bn (+24.8% y/y) with net loans growing to PLN 179.5 billion (+20.0% y/y); funded with customer deposits, which rose to PLN 174.4 bn (+14.8% y/y)
 - 1.8 pp. y/y growth in market share of the loan market: to 17.9%
 - 1.0 pp. y/y growth in market share of the deposit market: to 17.3%
- **Portfolio quality improved considerably**
 - risk cost declined by 35 bp. y/y (-12 bp. q/q) to reach 96 bp.
 - coverage ratio increased significantly by 10.1 pp. y/y (+3.7 pp. q/q) to reach 61.8%
 - NPL ratio declined by 1.3 pp. y/y (-0.1 pp. q/q) to reach 6.9%
- **High operational efficiency retained**
 - Cost to Income ratio (C/I) at 47.1% (C/I for PKO Bank Polski: 43.5%)
 - Return on Equity (ROE) at 12.4%
 - Return on Assets (ROA) at 1.4%
 - interest margin at 3.6%
- **Strong liquidity and capital position**
 - Loans / Stable funding resources at 86%
 - Capital Adequacy Ratio at 13.0% (Core Tier 1 at 11.7%)

Financial summary



Bank Polski

	2014	2013	Change y/y	Q4'14	Q3'14	Change q/q	
P&L items (PLN mn)	Net interest income	7 523	6 722	+11.9%	1 865	1 979	-5.7%
	Net F&C income	2 934	3 006	-2.4%	718	727	-1.2%
	Result on business activity	11 147	10 707	+4.1%	2 757	2 891	-4.6%
	Administrative expenses	-5 245	-4 623	+13.5%	-1 439	-1 337	+7.6%
	Net impairment allowance	-1 899	-2 038	-6.8%	-452	-475	-4.8%
	Net profit	3 254	3 230	+0.8%	723	873	-17.3%
Balance sheet (PLN bn)	Assets	248.7	199.2	+24.8%	248.7	244.4	+1.7%
	Net loans	179.5	149.6	+20.0%	179.5	178.3	+0.7%
	Deposits	174.4	151.9	+14.8%	174.4	171.2	+1.9%
	Stable financial resources	207.7	166.7	+24.6%	207.7	203.8	+1.9%
	Total equity	27.6	25.2	+9.8%	27.6	27.0	+2.3%

The Nordea transaction contributed to an increase in consolidated net profit of ca PLN 120 mn and an increase in total assets of ca PLN 30 bn in 2014

Key performance indicators



Bank Polski

	2014	2013	Change y/y	3Q'14	Change q/q	
Basic financial indicators	ROE net (%)	12.4	13.2	-0.8 pp.	13.5	-1.2 pp.
	ROA net (%)	1.4	1.6	-0.2 pp.	1.6	-0.2 pp.
	C/I ¹⁾ (%)	47.1	43.2	+3.9 pp.	44.0	+3.1 pp.
	NIM ²⁾ (%)	3.6	3.7	-0.2 pp.	3.6	-0.1 pp.
Quality of loan portfolio	NPL ratio ³⁾ (%)	6.9	8.2	-1.3 pp.	7.1	-0.1 pp.
	Coverage ratio ⁴⁾ (%)	61.8	51.7	+10.1 pp.	58.1	+3.7 pp.
	Cost of risk (bp.)	96	131	-35 pb.	109	-12 pb.
Capital position	CAR (%)	13.0	13.6	-0.6 pp.	12.7	+0.2 pp.
	Core Tier 1 (%)	11.7	12.5	-0.8 pp.	11.5	+0.2 pp.

(1) Administrative expenses of last 4 quarters / result on business activity for last 4 quarters

(2) Net interest margin = net interest income of 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 recognised impairment in total gross loans

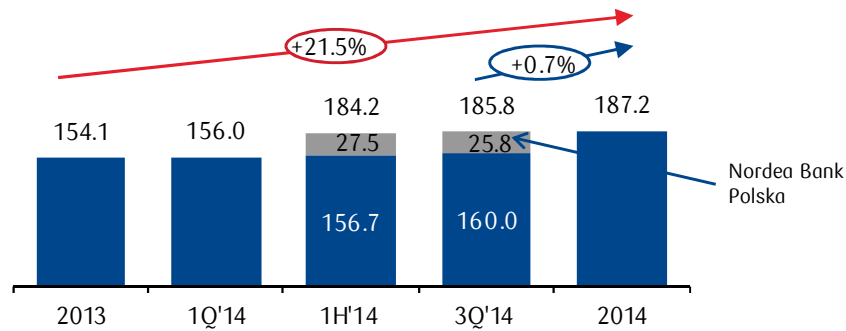
(4) Coverage of loans with recognised impairment with impairment allowances

Business volumes

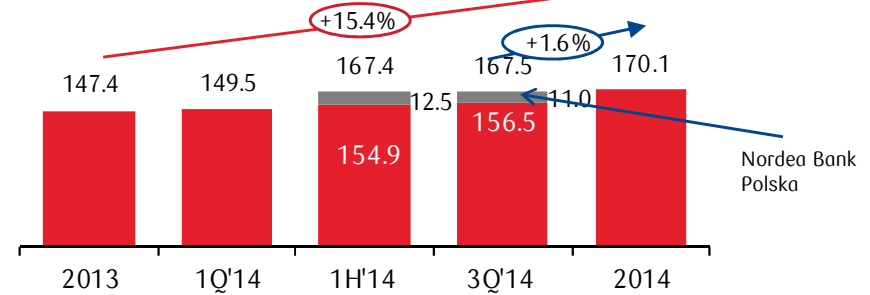


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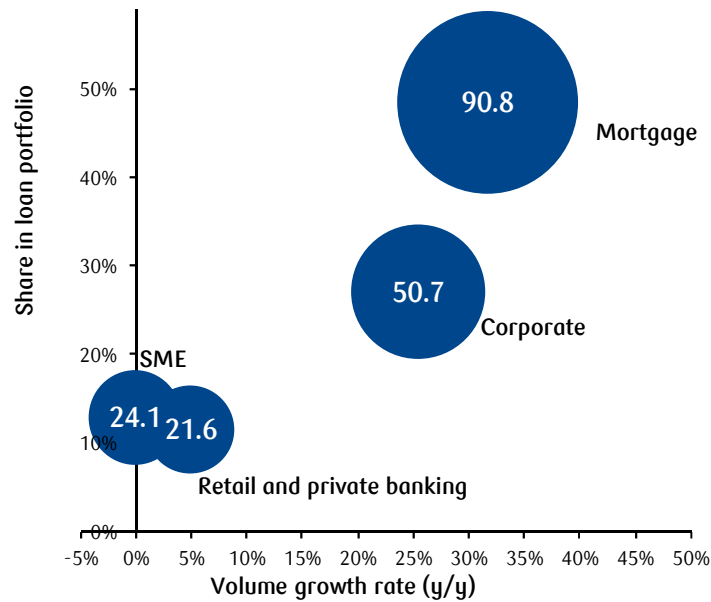
Gross loans (PLN bn)



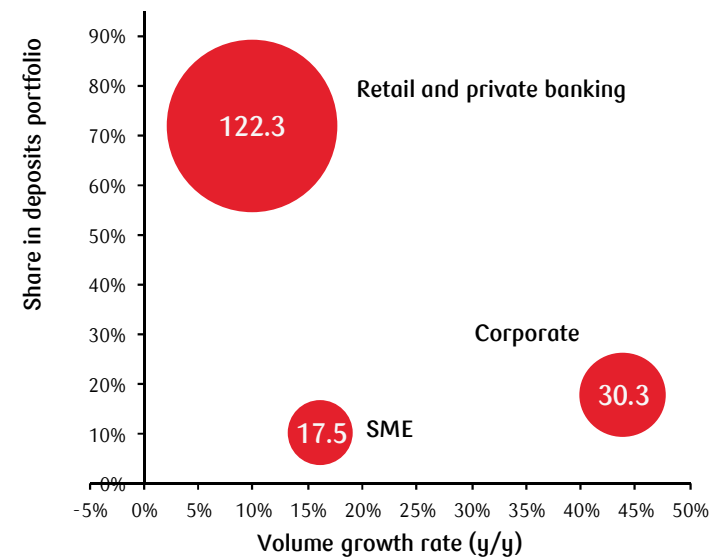
Customer deposits (PLN bn)



Gross loans by business lines (as at 31.12.2014)



Customer deposits by business lines (as at 31.12.2014)



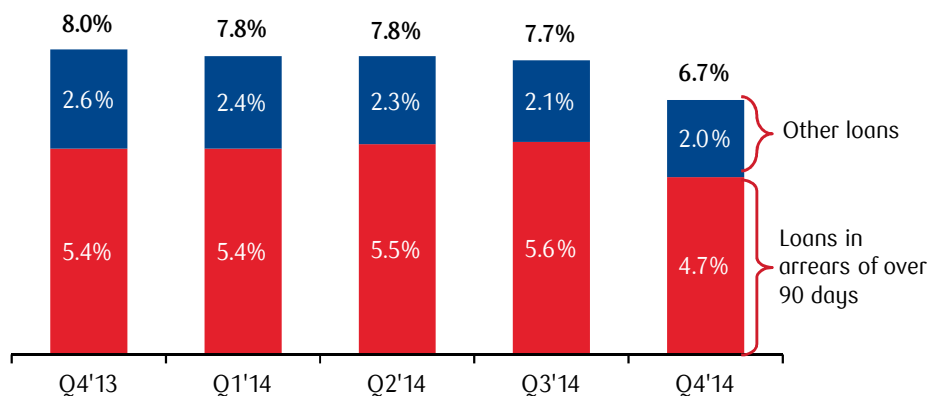
Loan portfolio quality



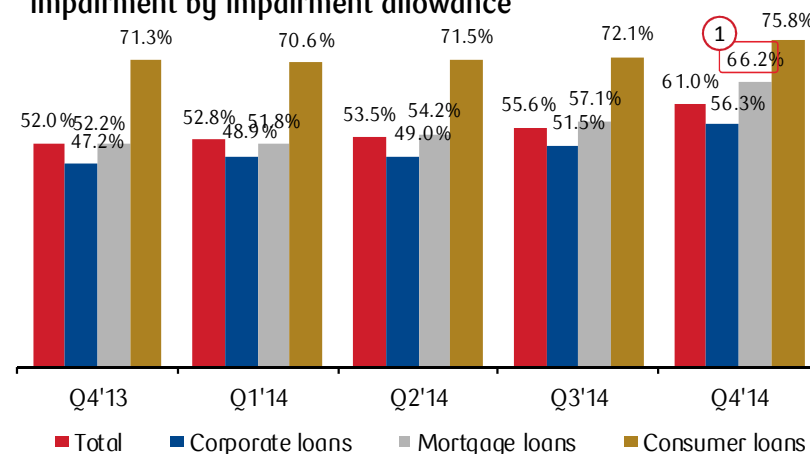
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Standalone data

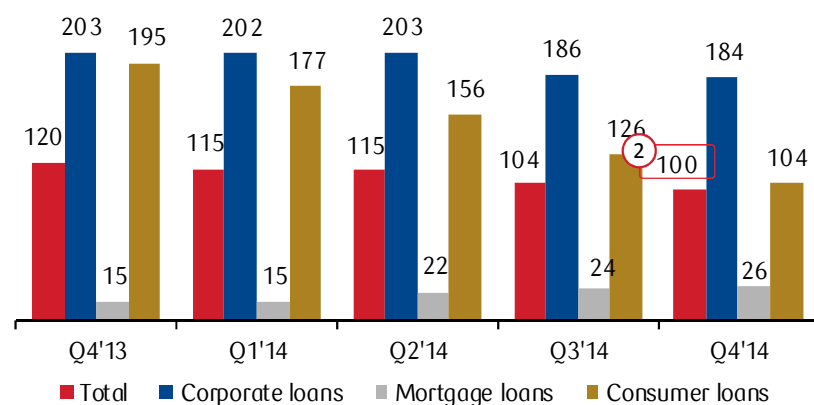
Share of loans with recognised impairment



Coverage of loans with recognised impairment by impairment allowance



Cost of risk over the last 12M (bp.)



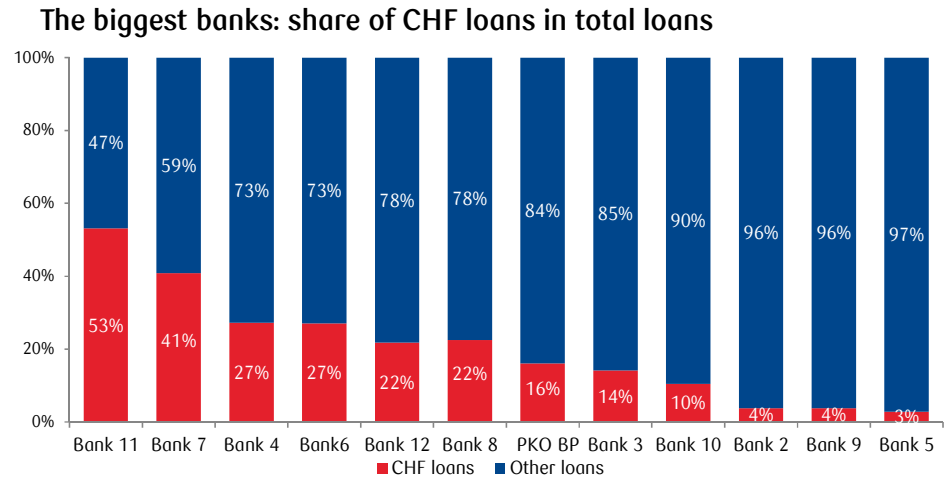
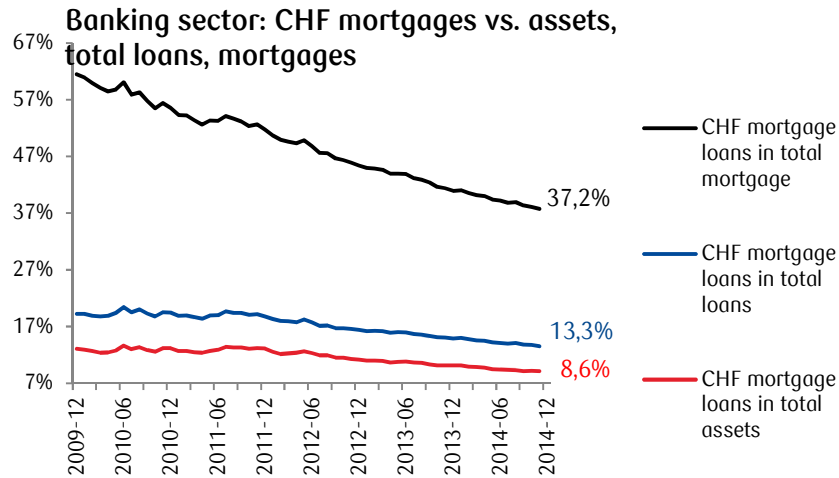
1 Share of loans with recognised impairment as part of the Bank's loan book increased on q/q basis and related to all business areas. The highest percentage increase here occurred in the housing loans portfolio and was a result of inclusion of the exNoBP loan portfolio and decline in the value of loans under restructuring.

2 The declining trend in the costs of risk of corporate loans had been sustained over the past 12 months. The largest decline on y/y basis was registered in consumer loans (-91pb.).

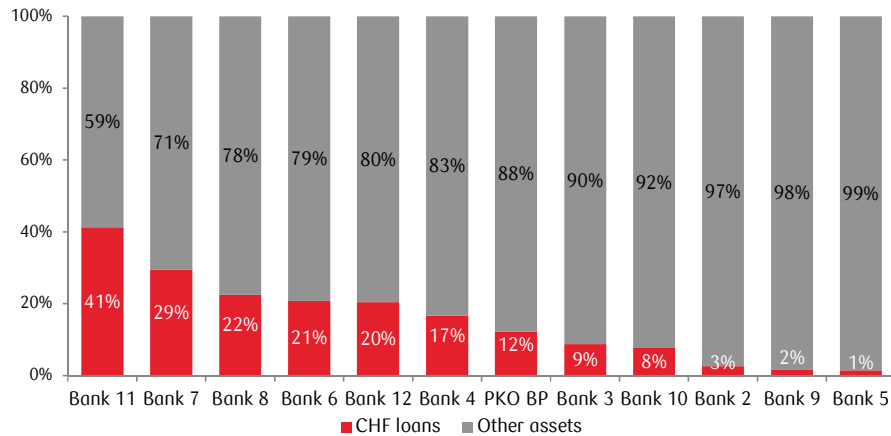
CHF loans in the banking sector



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The biggest banks: share of CHF loans in total assets



In 2009 housing loans in CHF represented ca 60% of the housing loans portfolio in Poland, but now constitute 37.2% of total housing loans volume.

Among the biggest (TOP12) of the Polish banking sector, the highest exposure to loans granted in CHF is that of BPH, with more than 50% of their loan portfolio being in the Swiss currency.

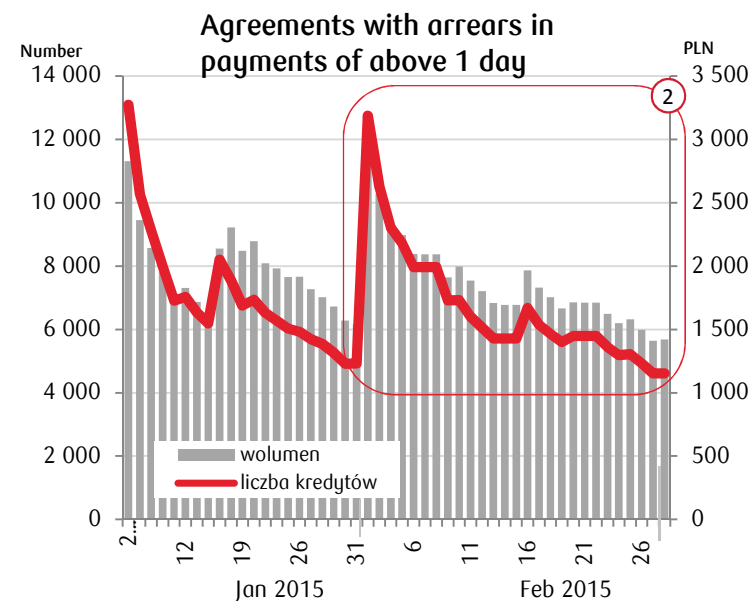
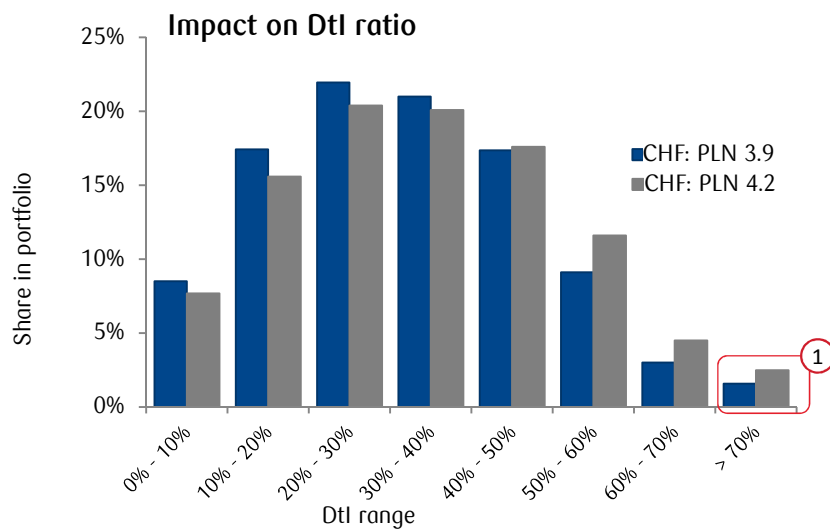
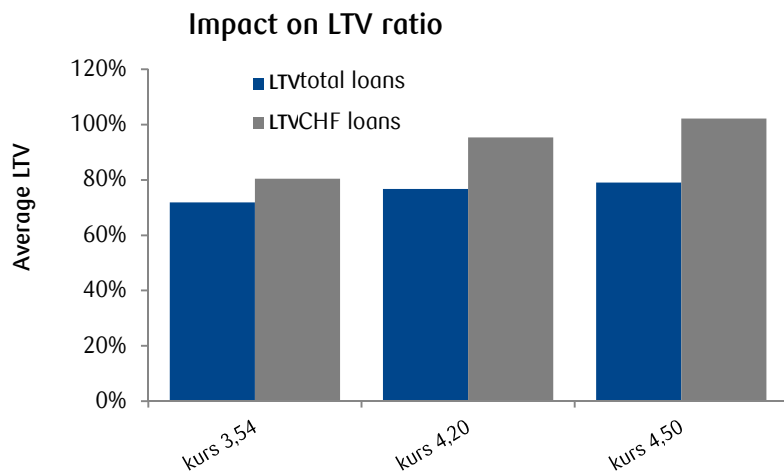
Also Millenium, Getin Noble and mBank have strong exposures to loans in CHF; share of CHF loans in total loans of these banks ranges from between 41% to 27% respectively.

Source: PFSA PKO BP, banks' financial statements

Impact of changes in the CHF exchange rate on the mortgage loans portfolio



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1 Increase of the CHF exchange rate to PLN 4.2 would increase the group of customers with Dtl of above 70% by 1.5 pp. No customers with Dtl above 100%.

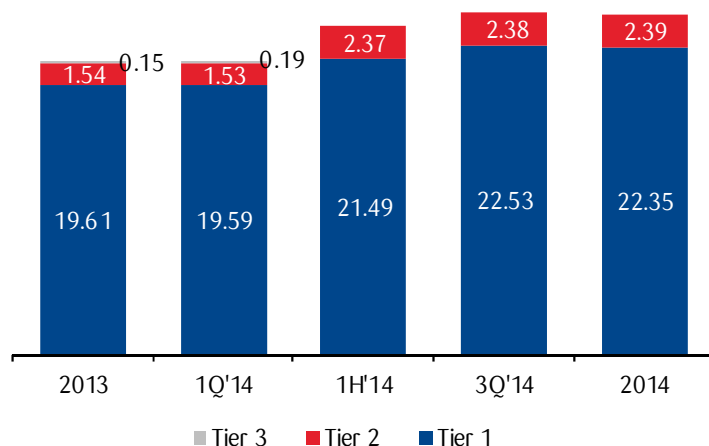
2 No impact of the CHF exchange rate movements on the structure of arrears in January of February 2015. Negative interest rates in LIBOR and decline in the spread would lead to a decline in the principal and interest rate to the level equivalent to that prior to the CHF exchange rate liberalisation.

Capital adequacy

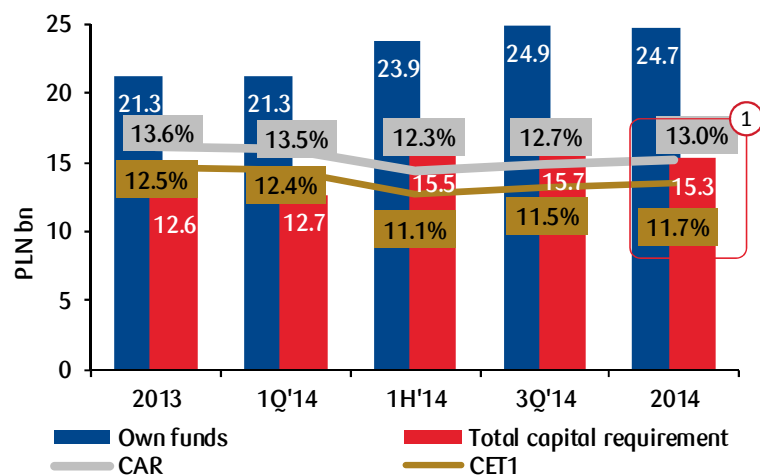
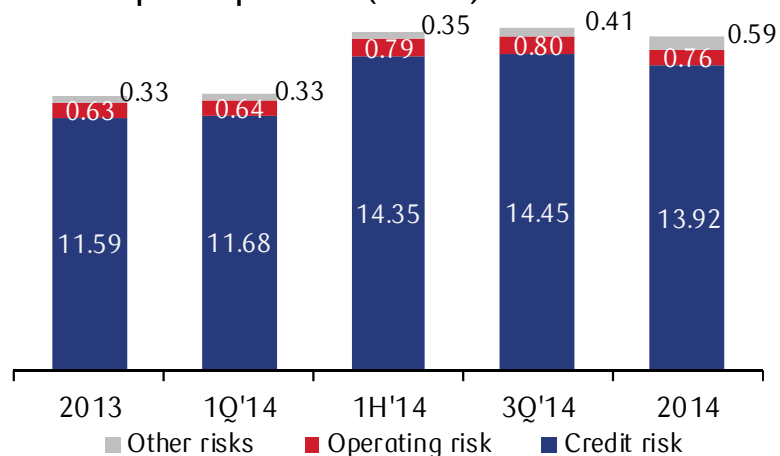


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Own funds (PLN bn)



Total capital requirement (PLN bn)



1

The key items impacting on PKO BP Group's solvency ratio in 2014 were:

- changes resulting from the CRR,
- recognition of the Bank's net profit of 2013 less the expected dividend,
- recognition of the Bank's net profit of 1H 2014 less the expected dividend,
- acquisition of Nordea Bank Poland

Standalone capital adequacy ratio for PKO Bank Polski, as at 31 December 2014, stood at 13.4% while its CET1 ratio was 12.1%.

Business priorities in 2014 and 2015

Risk Management



Bank Polski

Year 2014



- The Bank enjoys **strong capital position and is impervious to market shocks**: stress testing results indicate **adequate levels of capital funds** in PKO Bank Polski while the in-depth assessment of the market supervision affirmed its **strong financial standing**;
- **Precise and rapid method of identifying credit risk appetite for respective corporate clients**: introduction of Individual Client Limit, the Bank's internal limit expressive of its predisposition for increased exposure vis-à-vis a client ('risk appetite'), further improvements in the lending process and introduction of single stage assessment;
- **Modification of the bonus scheme supportive of accountability for risk**; the single stage assessment process strengthens the Bank's first line of defence and stimulates the processes of client acquisition and increasing the number of products per client in the existing and the new customer base;
- **Faster than ever and more effective assessment of credit applications SME customers**: optimisation of the lending process for condominiums, rationalisation of and increased effectiveness of the lending process of SMEs for exposures of below PLN 3 million, with acceptable level of risk; expanded use of the scoring method for the higher value exposures;
- **Increased base of customers with predefined financing offer**: implemented changes to the selection of customers to the Database of Good Customers, which resulted in a substantial increase of that database; predefined credit offer available "offhand";
- **Increased the application acceptance ratio for cash loans**: the acceptance ratio increased as a result of implementation of new risk assessment models, leading to an increase in effectiveness and changes in the lending policy.

Year 2015



- **Facilities for solid SME customers, based on the quality of collaboration to date**: optimisation of the lending process through implementation of the behavioural score card, dedicated to specific credit processes of binding offers (pre-limits), renewals and monitoring; optimisation of the credit spread system (inclusion of additional factors limiting credit transaction risk, e.g. LTV, collateral);
- **Rationalisation of the Bank's strategic balance sheet management**: the tool will be a new IT system from a leading vendor of this type of services, which will, among others, enable: more efficient fulfilment of the CRR related requirements; optimisation of interest rate risk measurement in the bank book; support of the asset and liability management process and the strategic balance sheet structure management;
- **Implementation of a method for internal credit risk ratings (IRB)**: refinement of the credit risk management processes; more precise credit risk identification and measurement; integration of credit risk management with the pricing policy and capital allocation processes.

Selected business achievements in 2014

Retail Banking



Bank Polski



Development of the customer base and effective customer relations

- Net customer base gain of nearly **200 thousand** (including the young segment), which has brought the customer base, as at the end of 2014, to over **8 million** (Inteligo included);
- Implementation of a new service model for the key personal banking customers, with the products better fitted to the long-term, customer-centric relationship with the Bank;
- Re-engineering of the service model for the SME segment customers, with implementation of more advanced solutions supporting services and products.



Robust results in new product sales

- Nearly **PLN 21 billion** in sales of retail loans (close to 1 million products sold);
- Increase in the average spread on mortgage loans at simultaneous maintenance of the leading market position in new sales (30.7%) and of 25.9% share in the market of housing loans for private individuals;
- Nearly **PLN 9 billion** in loan sales to the SME segment (including loans with the *de minimis* guarantees, where PKO Bank Polski has been the programme leader, with a market share of 27%);
- **PLN 1 billion** in sales within the Capital Building Programme (700 thousand products sold), through inclusion of a solution dedicated to long-term savings in the investment products offer.



Development of electronic banking

The launch of IKO 2.0 (operates on nearly all the telephone sets available on the local market; the newly launched solutions include the 'rapid payments mode', the 'transfer resend' and the 'return transfer to sender' capabilities) and of 'iPKO - New service', with: refreshed graphics; a new home page, which presents all the most frequently searched for information; a new navigation system concentrated in a single location; the service functionalities and key operations have been streamlined and redesigned to enhance utility, simplicity and intuitiveness of use.



Service quality

- The first in Newsweek's Friendly Bank ranking, in the Mortgage Banking category;
- The first in the Forbes monthly's ranking of 'the best for business banks';
- The PKO Bank Polski Contact Centre the best among the bank helplines for the seventh time.



Dynamic development of private banking

The PKO Bank Polski Private Banking Centre has supported the systematically rolled out network of dedicated outlets. The first private banking office was established in Warsaw in the year 2011. Over the following three-year period PKO Bank Polski opened offices of this network in Gdańsk, Kraków, Katowice, Poznań, Wrocław, Łódź and Szczecin.

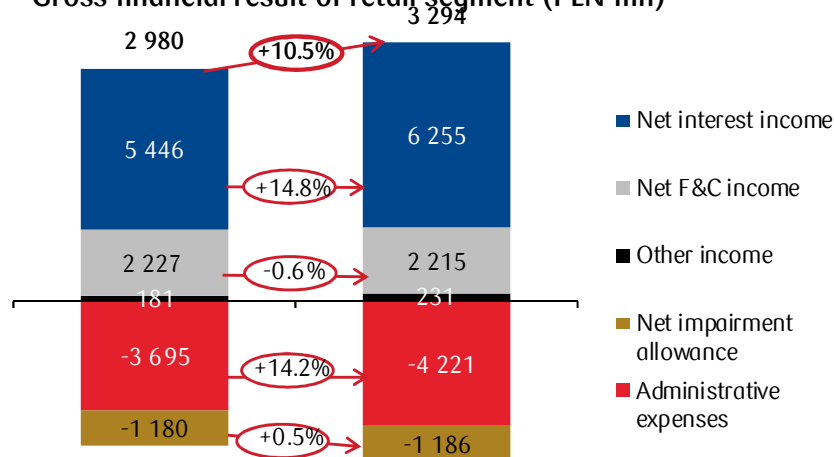
Segment results

Retail Banking

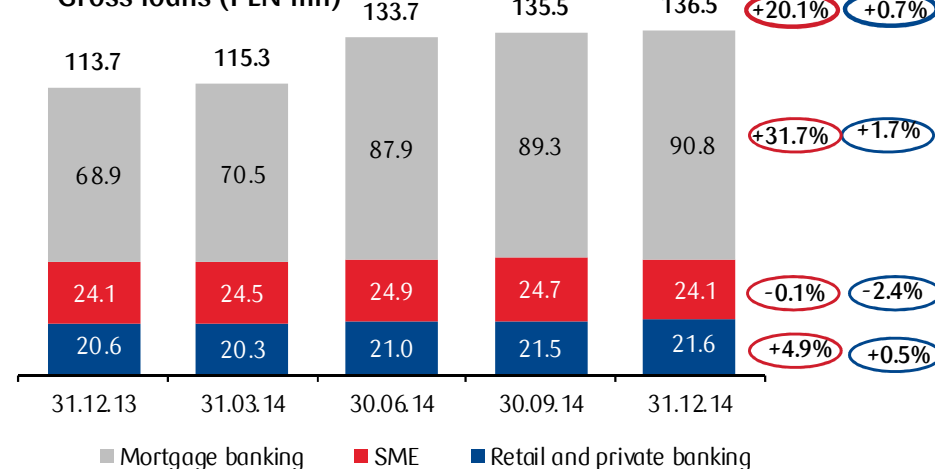


Bank Polski

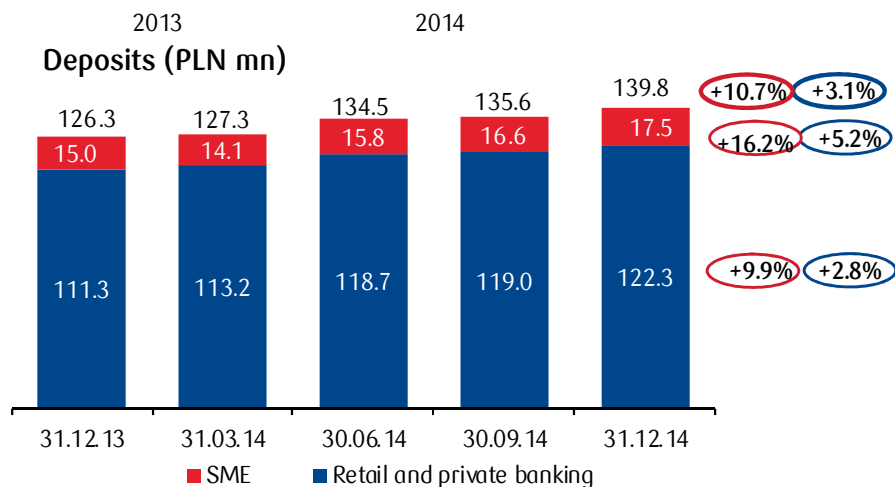
Gross financial result of retail segment (PLN mn)



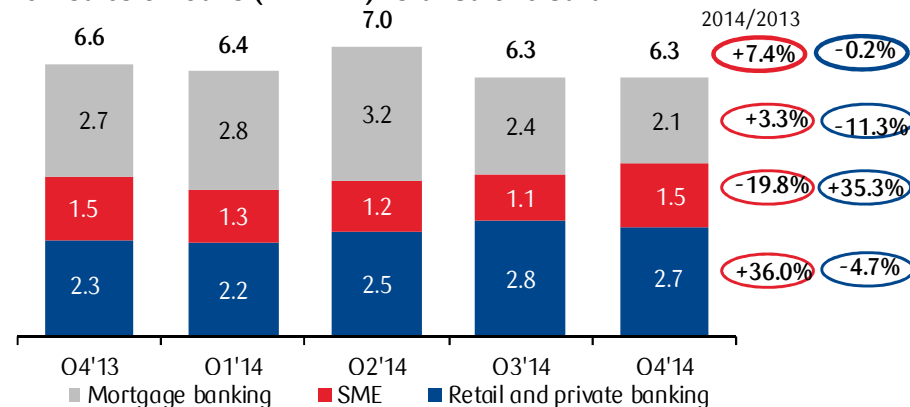
Gross loans (PLN mn)



2013
Deposits (PLN mn)



New sales of loans (PLN mn)- standalone data*



○ Change y/y ○ Change q/q

*) Does not include renewals of SME loans, which in 2014 amounted to ca PLN 4 bn

Business priorities in 2015

Retail Banking



Bank Polski



Development of remote service channels

- Launch into production of the virtual branch dedicated to the SME segment and personal banking customers;
- Development of customer service processes based on the omni-channel approach; through integration of the mobile and the traditional channels.



Stable y/y increase in sales of new products, particularly in the Consumer Finance group products:

- Plans for **PLN 23.5 billion** of retail loan sales;
- Plans for **PLN 10 billion** of the SME segment loan sales.



Further strengthening of PKO TFI's position

Strengthening of TFI PKO's position as the banking industry leader in the asset management market, among others, through product innovation and implementation of unit linked products in a new market format. PKO TFI has consistently registered the highest net inflow of funds to retail sector dedicated funds among the Polish investment funds industry; and has delivered to its customers some of the highest and most stable investment results.



Development of CRM

Development of modern CRM and OCRM tools, in order to improve the utilisation of own customer base potential. x-sell campaigns with improved responsiveness to customer needs. Continued build-out of the tools which support multi-channel marketing and execution of marketing campaigns.



Customer service – modern and fast processes

Implementation of integrated multi-channel marketing of cash loans, also through employment of the fast, digital „One-Click” processes (offers in response to individual customers' financial needs, with a streamlined track).

Year 2014



- Formed the Bancassurance Segment (Obszar Bankowości Ubezpieczeniowej), which manages one of the strategically important directions of development of the PKO BP Group.
- Acquired a life insurance company slated to become the product platform for the Bank; and incorporated it in the Bank's product offer as the leading provider of life insurance.
- Drafted and submitted with PFSA an application for a permit to offer the 'Section II insurance services' (in March 2015 PKO Bank Polski obtained the permit of PFSA to establish the PKO Towarzystwo Ubezpieczeń company, a non-life insurance provider). Together with the existing life insurance company, the non-life insurance firm will form a comprehensive and complementary offer for the Bank's clients and customers.
- PKO Bank Polski was one of the first banks in the market to commence work on implementation of the Recommendation U; allowing it to develop new solutions in distribution of individual products.

Year 2015



- Implementation of Recommendation U, which covers many aspects of bancassurance, will constitute the main challenge. This will involve the following aspects:
 - Switching from the group to individual insurance in the product offer;
 - Switching into the agency based insurance offering model;
 - Implementation of broad ranging changes in the banking systems in parallel with the integration process;
 - Adjusting to new market practice, which will develop in the course of 2015;
 - Having obtained the permit of PFSA for running a non-life insurance business, the PKO BP Group can begin offering internally produced non-life products once its insurance company reaches operational capability (30 September 2015);
 - The building and utilisation of the synergies between the newly formed non-life insurance firm and the life insurance firm acquired from the Nordea group, which would allow the Bank to optimise insurance product production and servicing costs.
 - Based on the acquired insurance segment know-how, to optimise the PKO BP Group's non-life insurance programmes and to thus reduce the related expense lines.
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Selected business achievements in 2014

Corporate and Investment Banking



Bank Polski

Development of the customer base, consolidation of the leading position in funding businesses:

- Polish corporate banking market leader, with the top ranking in the market, strengthened further through the merger with Nordea Bank Polska; total of PLN 84 billion of financing for Polish enterprises; arranger and participant in the biggest transaction in the market:



PKO
Kredyt konsorcjalny
1.200.000.000 PLN
Organizator, Honorowy Kredytodawca
Marzec 2014

ORLEN
Kredyt konsorcjalny
2.000.000.000 EUR
Mandated Lead Arranger
Kwiecień 2014

Orange
Kredyt konsorcjalny
3.000.000.000 PLN
Główny Kredytodawca, Mandated Lead Arranger
Kwiecień 2014

KGHM
FOLSKA MIEDŹ S.A.
Kredyt konsorcjalny
2.500.000.000 USD
Główny Kredytodawca, Mandated Lead Arranger
Lipiec 2014

PKC BANK S.A.
Kredyt konsorcjalny
290.000.000 EUR
Mandated Lead Arranger
Lutego 2014

Raben
Kredyt konsorcjalny
150.000.000 EUR
Honorowy Kredytodawca
Lipiec 2014

- Leader in the market local government and budgetary units providing financing and transactional service; the top market position in municipal bond issues (PLN 8.2 billion), with the dominant market share at 43%;
- Acquired the mandates of four additional large local government units for provision of banking services;
- The bank of choice for corporate clients; as seen by our clients.

Development of competences – honing the business model

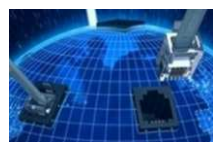


- Re-engineering of the customer service model: merging of the corporate with the investment banking:
 - implementation of initiatives that optimise operation of the sales network;
 - transformation of the adviser's work model and role;
 - new approach to client segmentation and the structure of the adviser portfolios;
- Rationalisation of the lending process; single stage assessment and decision making leading to integration of the process, improvement of its transparency and cutting down on the *time-to-cash* decision making.

Strong position of the PKO Bank Polski Brokerage House



Broker of the Year 2014, the market leader in IPO transactions, ranked second in terms of the share in the WSE market trading.



The launch of new electronic channel functionalities for clients:

New release of the Forex trading platform compliant with the international standard; a dedicated solution which integrates the Bank with the clients' financial and accounting systems; An electronic banking module which supports the clients in their daily liquidity management.



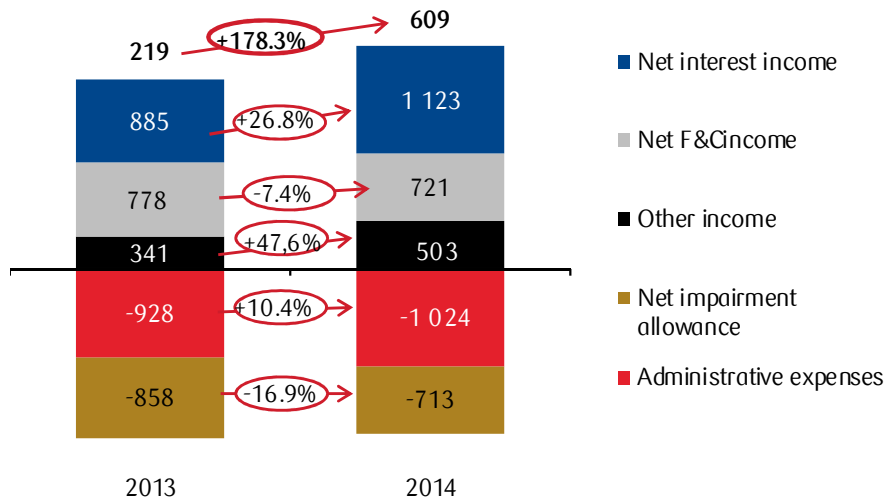
Segment results

Corporate and Investment Banking

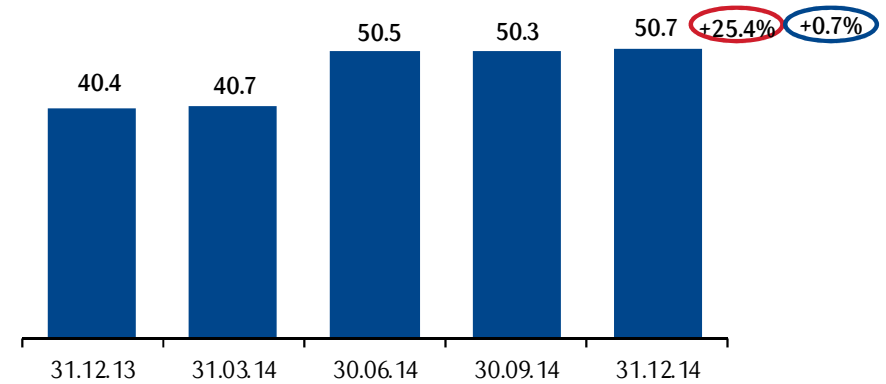


Bank Polski

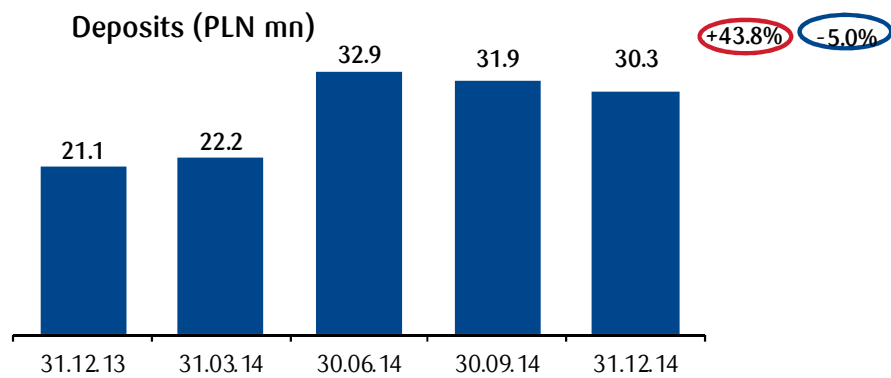
Gross financial result of the corporate and investment segment (excl. effect of the eService sale) in PLN mn



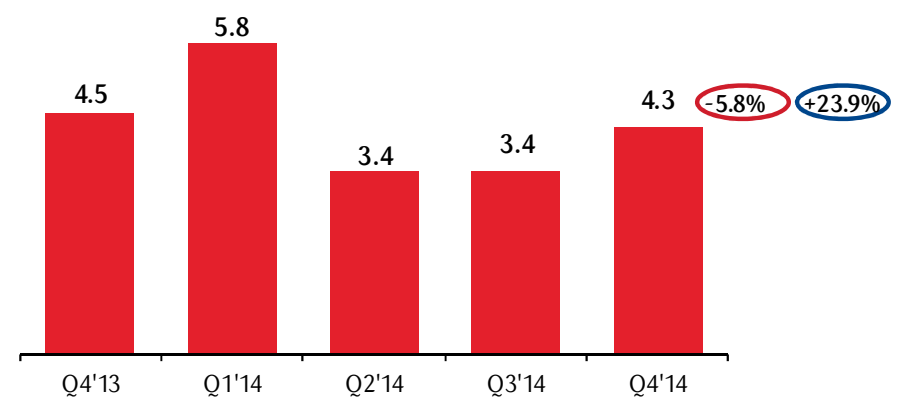
Gross loans (PLN mn)



Deposits (PLN mn)



New loan sales (PLN mn), standalone data



○ Change y/y ○ Change q/q

Business priorities in 2015

Corporate and Investment Banking



Bank Polski

Broadening the scope of client relationships



- Increase the role of the Bank in servicing its strategic corporate clients, acquisition of new client groups for servicing and expansion of sector specific competences;
- Development in the Agro&Food sector; strategic collaboration with Grupa Azoty;
- Strengthening the Bank's role as the leader in servicing large local government units, acquisition for servicing of subsequent large conurbation authorities on the list of Polish regional cities;
- Strengthening of the position of the Brokerage House through a combination of the corporate and investment banking competences;
- Monetisation of the reorganisation effects and the lending process enhancement : to increase loan sales from PLN 17 billion in 2014 to PLN 21 billion in 2015.

Expansion of the services offered to PKO Bank Polski's international clients



The operational launch of the first international corporate branch in Germany. In terms of export activity and FDIs in the European Union, PKO Bank Polski's institutional clients have demonstrated greatest activity in their relations with Germany. Hence, the German market was slated to be the Bank's first expansion destination.

Development of the iPKO Biznes service



New release of the iPKO Biznes electronic banking platform, with implementation to be completed at the turn of 2015 and 2016. Delivery to corporate clients of a modern, productive and secure platform for cooperation with the entire PKO BP Group, particularly in liquidity management, reporting and functionalities dedicated to specific clients; and integration of PKO Bank Polski's electronic banking with the clients' financial and accounting systems.

The leading supplier of transaction banking solutions



- Implementation of a new electronic banking module: client front-end solution for trade finance transactions;
- Full utilisation of the expanded competences and of the new correspondent banking network.

Service quality – increasing customer satisfaction



- Development of a sales and after-sales service model – honing the sales process – increasing customer satisfaction;
- Strong focus further bonding of stable client relations high service quality, cooperation on partnership basis and specialist competences of the sales network.

Business priorities in 2014 and 2015

Technologies



Bank Polski

Year 2014



- Provided customer service capabilities within a uniform sales network and the solutions required after combination of the two banks, at the stage of the legal merger with Nordea Bank Polska;
- Implemented solutions which automated processes as part of the multi-channel business process servicing;
- Integrated the central system functionalities with CRM: replacement of the basis tool used by the customer and client advisers in the Bank branches (Financial Terminal) and integration of its successor with CRM class solutions;
- Developed electronic banking: a new release of iPKO, 'Forex' auto-dealing platform, added new functionalities to iPKO Biznes;
- Enabled development of the Polish Mobile Payments System and developed IKO.
- Integrated IT within the PKO BP Group (incorporation with IFS);
- Established competence centres (a software factory, testing labs);
- Established an entity within the PKO BP Group with responsibility for recruitment of experts for the areas of key importance for the Bank (FINAT);
- Implemented a number of controls compliant with the recommendations of PFSA (Recommendations D, U and S) and those of international organisations (FATCA, the ECB Recommendation on security of internet payments).

Year 2015



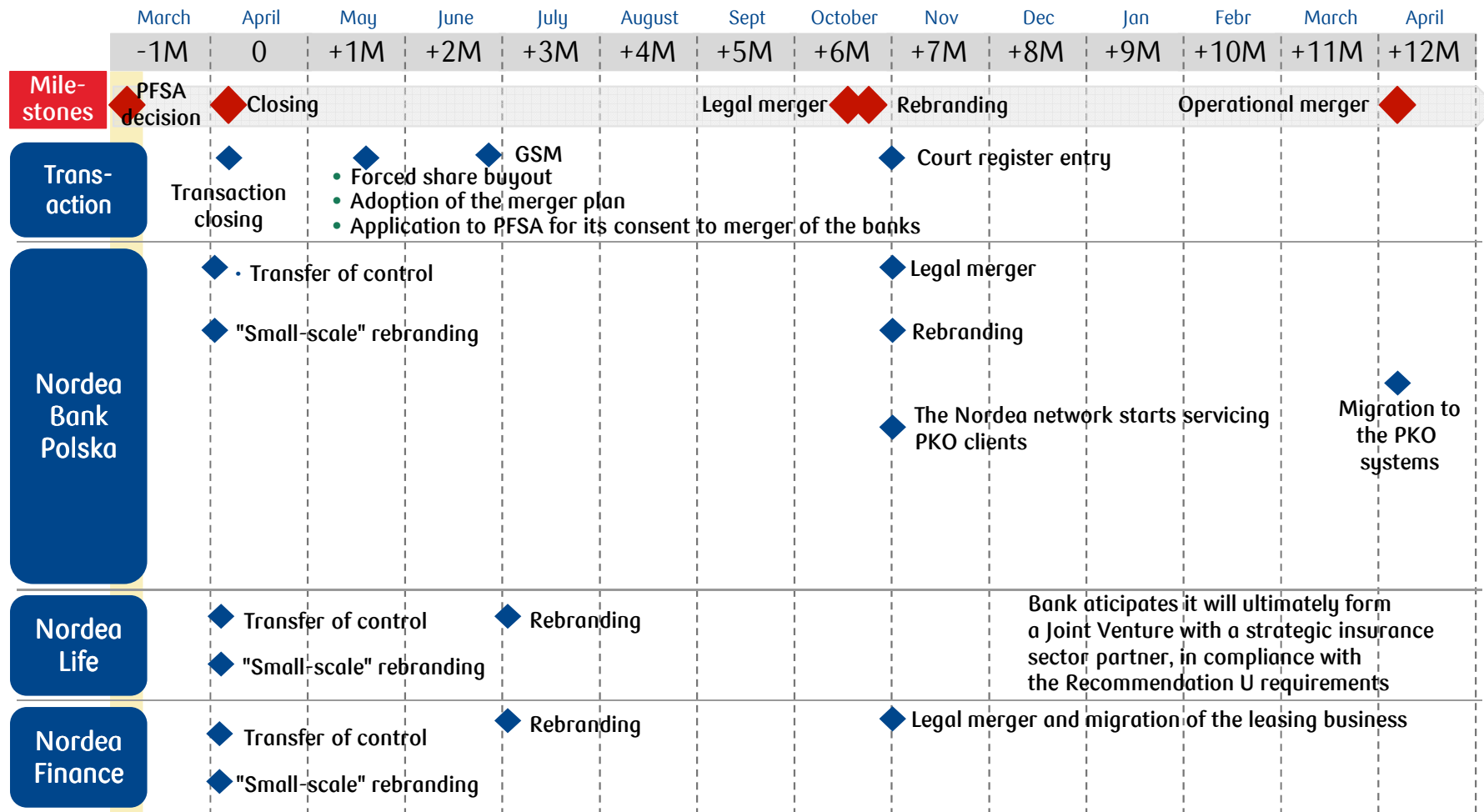
- Migration of all data from the systems of Nordea Bank Polska to those of PKO Bank Polski while ensuring operational continuity of business processes (as part of the operational merger);
- 'Omnichannel' (CRM 3.0): works comprising implementation of the omni-channel concept, which will build the position of the Bank as the clients' partner in their day-to-day financial and non-financial operations;
- 'Smartphone Banking' ("Bank w komórce") (IKO 3.0): further development of the app in the direction of providing the customer with access to a broad spectrum of services through a broad range of mobile devices;
- Development of iPKO Biznes functionalities;
- Ensuring development of the current ICT infrastructure in order to enable expansion to foreign markets while providing for the specificity of respective markets ('Project Germany');
- Adoption of measures aimed at reducing operational costs and increasing the quality and security of the implemented solutions;
- Continued implementation of the provisions of the domestic regulator's U and S Recommendations and of that of ECB, and commencement of work aimed at achieving compliance with new requirements (Recommendations P and Z).

Plan for integration of Nordea

Finalising the main stage of works in Q2 2015



Bank Polski

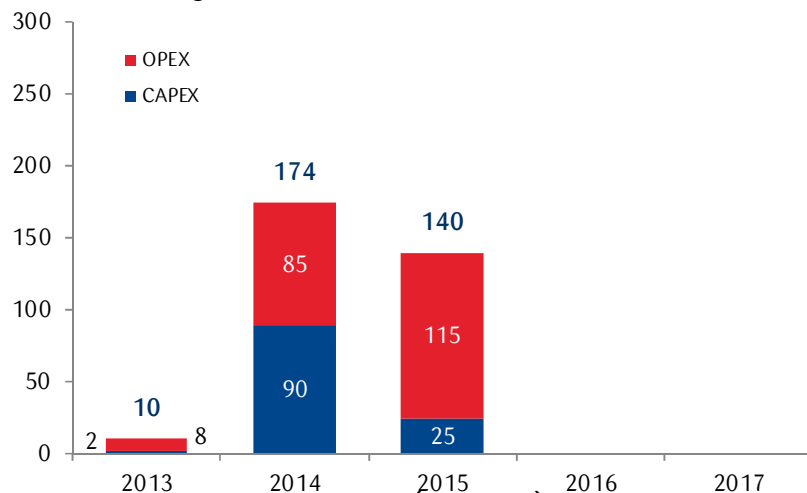


Integration synergies and costs in the years 2013-2017

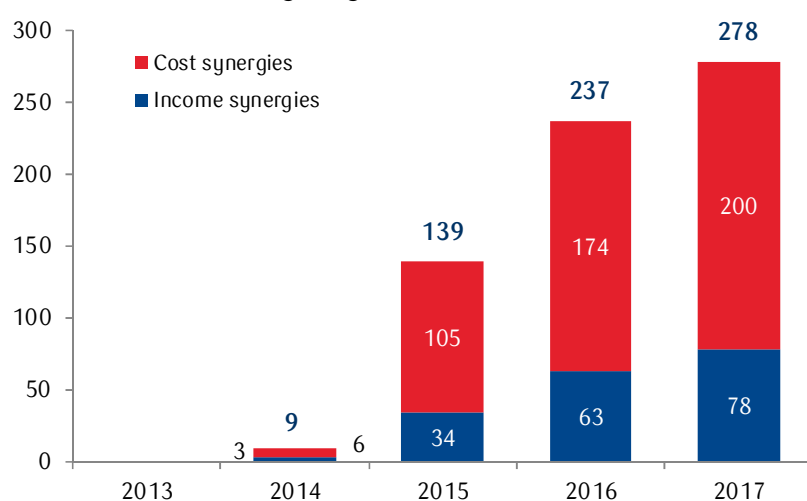


Bank Polski

Costs of integration (PLN mn)



Income and costs synergies (PLN mn)



- PKO Bank Polski has assumed the total integration expenditures over three years would close at PLN 325 mn;
- Opex will represent over 64% or PLN 208.4 mn of those expenditures;
- Capex will thus stand at close to 35% of the integration expenditures;
- The key integration budget items will include: IT system migration (over 56%), personnel costs (19%), marketing and communications (6%), real estate (5%) and other (13.8%);
- The assumed integration expenditures are equivalent to average in comparable transactions in both Poland and the international markets, even though the cost structure is somewhat different on account of the cost of unbundling of the IT area.

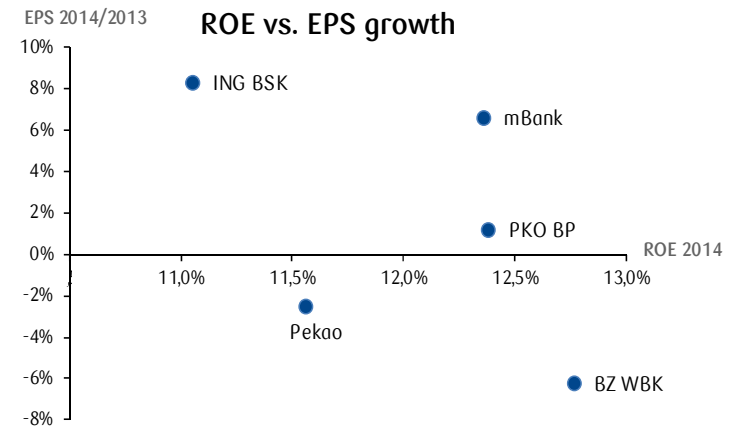
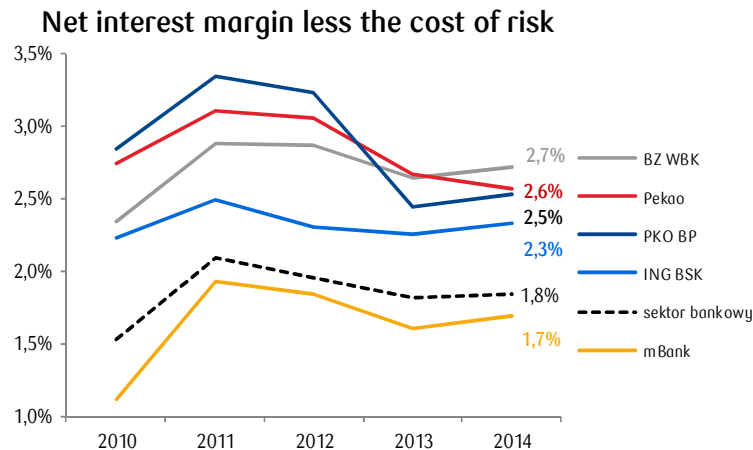
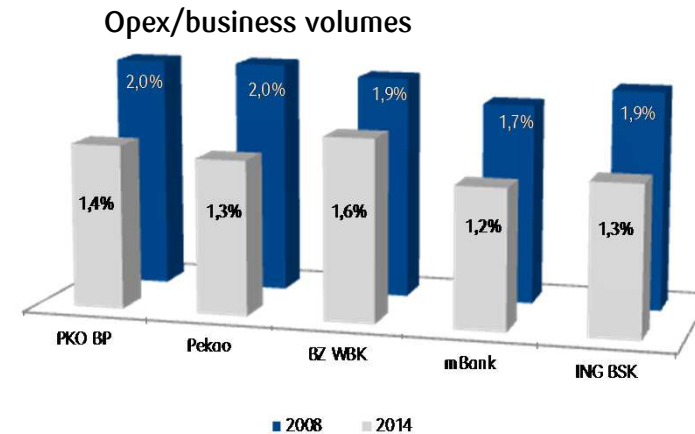
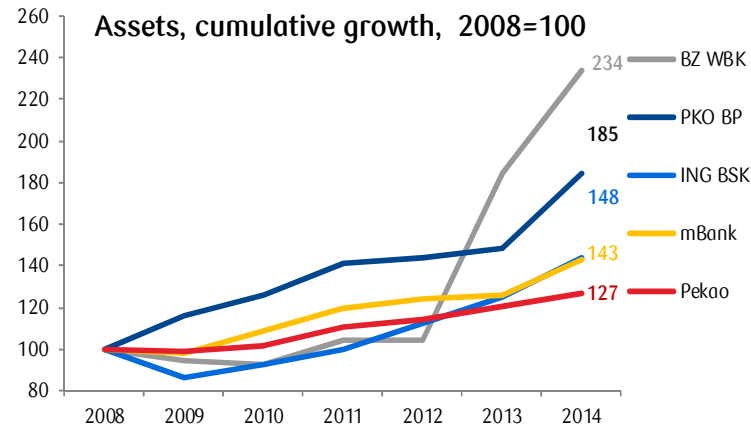
- After a detailed verification exercise, the Bank now expects the cost saving synergies to be higher than originally assumed;
- The Bank expects to realise the IT area related synergies rather rapidly: at termination of cooperation with the supplier of the IT services carved out of Nordea Bank Polska;
- Total acquisition synergies are estimated at PLN 278.0 mn (gross); as of 2017, i.e. counting from completion of the integration process;
- Key synergies will be delivered through: integration of the functions such as IT, support and cross-selling; acquisition of new clients and customers; and bancassurance in the retail banking business;
- The transaction will have a positive impact on the PKO BP Group's net financial result as early as in 2014;
- At completion of the integration process in 2017, estimated increase in EPS attributable to the transaction will reach nearly 9%, with ROI of around 13%.

PKO Bank Polski competitive position

Key business parameters



Bank Polski



Source: Banks' financial statements, PKO BP calculations

Explanations:

OPEX - operating costs including depreciation; a business volumes - receivables, liabilities and assets under management of the parent TFI Group

Net interest margin (NIM) - the ratio of net interest income of the last four quarters to the average quarterly value of interest bearing assets for the last five quarters (PKO BP's own calculations); the cost of risk: the ratio of net impairment allowance for the last four quarters to the average net receivables,

EPS - the ratio of profit attributable to ordinary shareholders to the weighted average number of ordinary shares outstanding during the given period



Bank Polski

Additional information

2015 macroeconomic and banking sector outlook

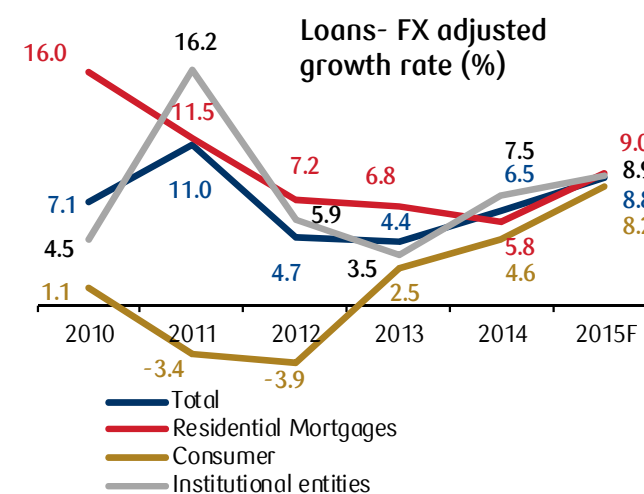
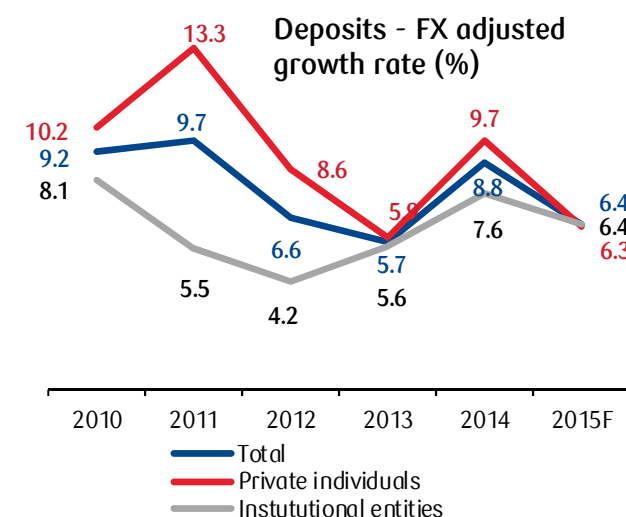


Bank Polski

		2012	2013	2014	2015F
GDP ¹⁾	% y/y	1.8	1.7	3.3	3.6
Consumption ¹⁾	% y/y	1.0	1.1	3.1	3.3
Investments ¹⁾	% y/y	-1.5	0.9	9.5	7.2
Public sector deficit ¹⁾	% GDP	-3.7	-4.0	-3.1	-3.4
Public debt ²⁾	% GDP	52.0	53.1	46.8	46.7
CPI	%	3.7	0.9	0.0	-0.4
Unemployment rate	% eop	13.4	13.4	11.5	10.5
WIBOR 3M	% eop	4.11	2.71	2.05	1.65
Reference rate	% eop	4.25	2.50	2.00	1.50
EURPLN	PLN eop	4.09	4.15	4.26	4.18
USDPLN	PLN eop	3.10	3.01	3.51	3.87

- 1) According to the ESA95 methodology, with one-off capital transfer due to pension funds asset transfer; without the transfer, the public sector deficit in 2014 remains close to -3.5% GDP.
- 2) According to domestic methodology.

Source: Bank's forecasts



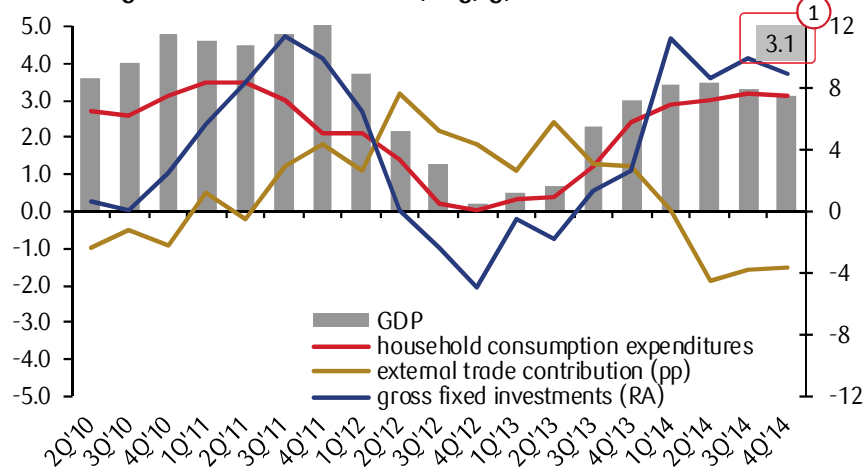
Macroeconomic trends

Solid GDP growth driven by robust domestic demand

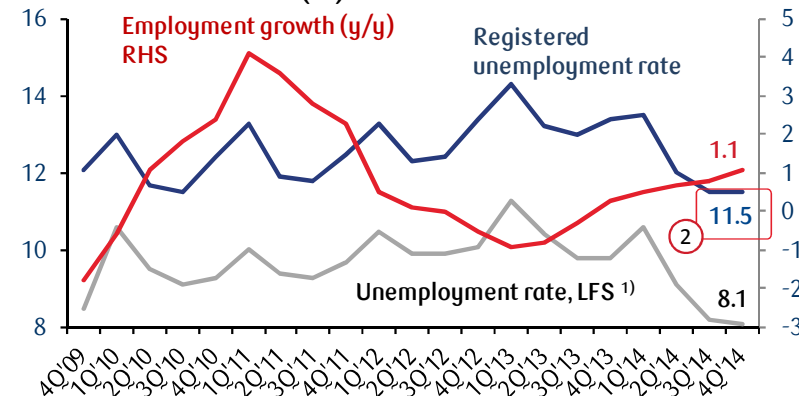


Bank Polski

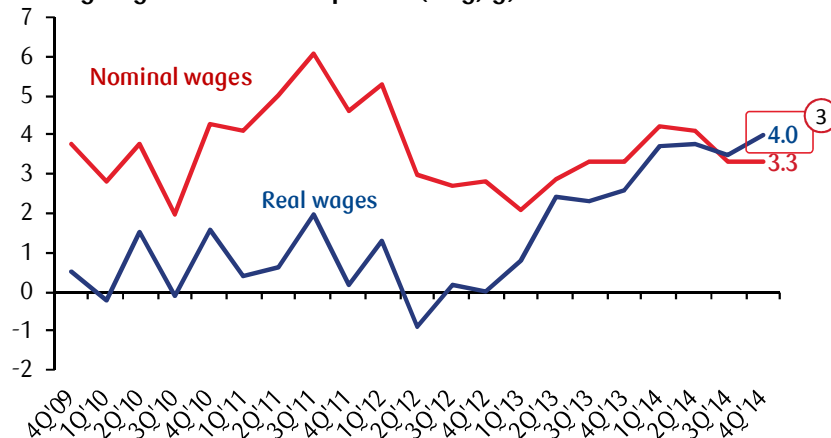
Real GDP growth and its drivers (% y/y)



Labour market trends (%)



Wages growth in enterprises (% y/y)



- 1 GDP growth moderated to 3.1% y/y in 4Q2014 from 3.3% y/y in 3Q2014 (negative impact of Russian sanctions and mining sector problems on trade and transport services). Both consumption and investment growth remained stable, suggesting the recovery driven by domestic demand will continue. We predict that GDP growth will accelerate to 3.6% in 2015 (vs. 3.3% in 2014).
- 2 Labour market conditions are improving. Downward trend in unemployment has deepened with the registered unemployment rate down -1.9pp y/y in 4Q (vs. -1.5pp y/y in 3Q). This is consistent with GDP growth slightly above the potential level of ca 3% (excluding impact of state's interventions on the labour market).
- 3 Higher real wage growth amid stable nominal wage growth and deeper deflation is supporting private consumption.

(1) Percentage share of the number of unemployed population in the number of economically active population (i.e. employed and unemployed persons); consistent with EU methodology.

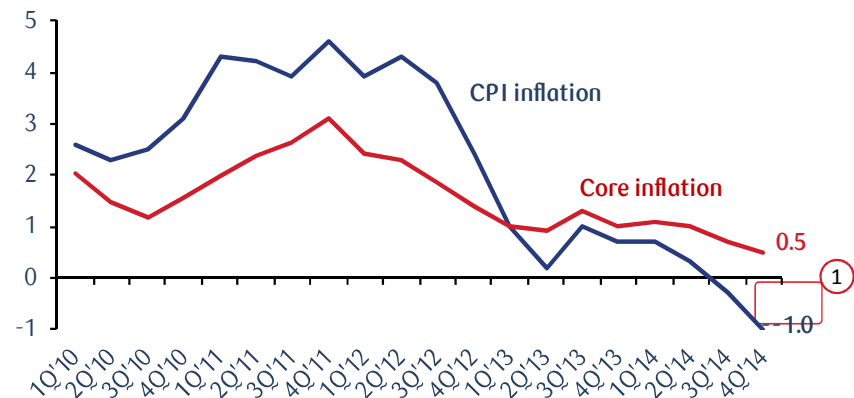
Macroeconomic trends

'Technical' deflation and adjustment in NBP interest rates

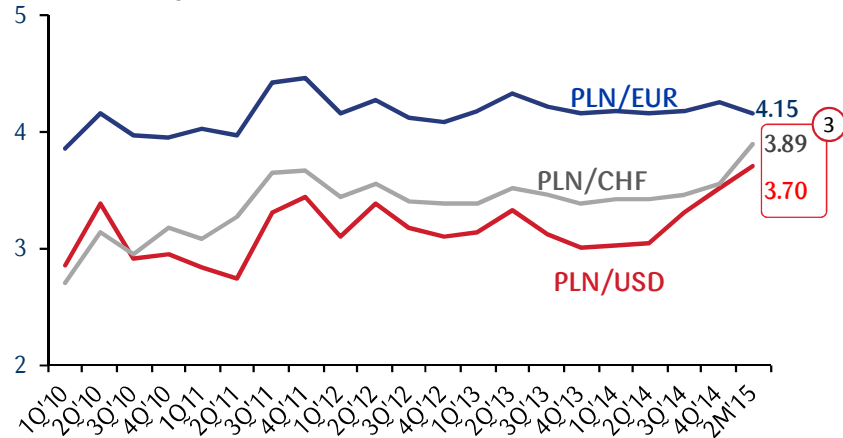


Bank Polski

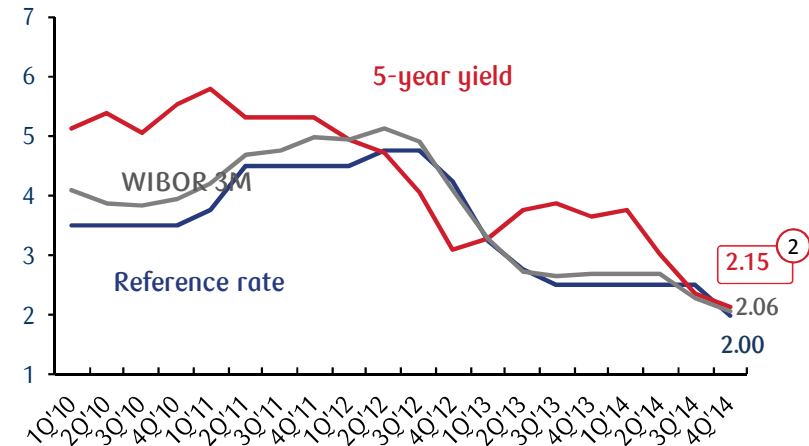
Inflation rate (% y/y)



PLN exchange rates



Interest rates (% eop)



- 1 CPI inflation dropped to -1.0% y/y in 4Q2014 (from -0.3% y/y in September) – largely due to plunge in oil prices. The headline inflation rate should reach the bottom in 1Q2015 and then gradually increase to return into positive territory towards the end of 2015.
- 2 The MPC decided to reduce NBP interest rates in October (the reference rate by 50bps and the lombard rate by 100bps) under pressure of deepening deflation and temporary deterioration in growth outlook. Facing deepening deflation and a risk of PLN appreciation (due to ECB actions) MPC decided to cut rates further by 50 bps in March 2015.
- 3 4Q2014 saw a marked weakening of the PLN against major currencies due to deteriorated sentiment towards EMs (among others due to GDP growth slowdown in China) and escalation of the conflict in Ukraine. In 4Q2014 the PLN lost the most against the USD amid drop in EURUSD due to expectations for the first interest rate hike in the US. In early 2015 the PLN weakened considerably against the CHF due to the SNB decision to remove floor under EUR/CHF.

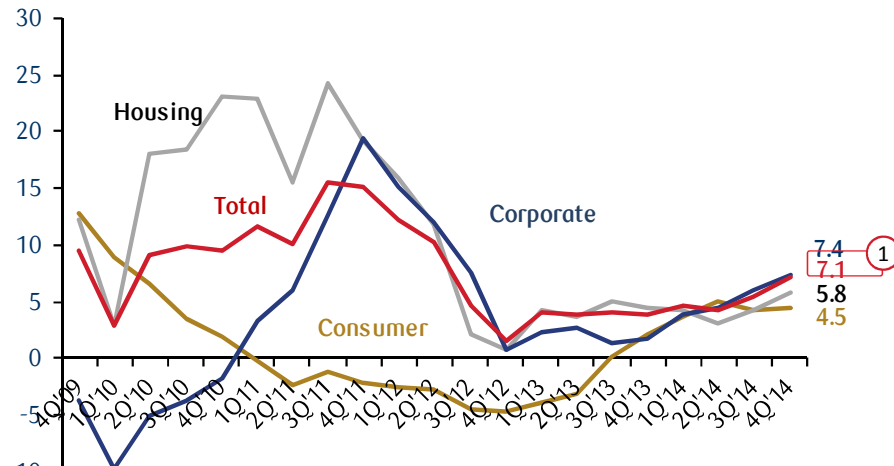
Banking sector

Moderate growth of deposits and credit continues

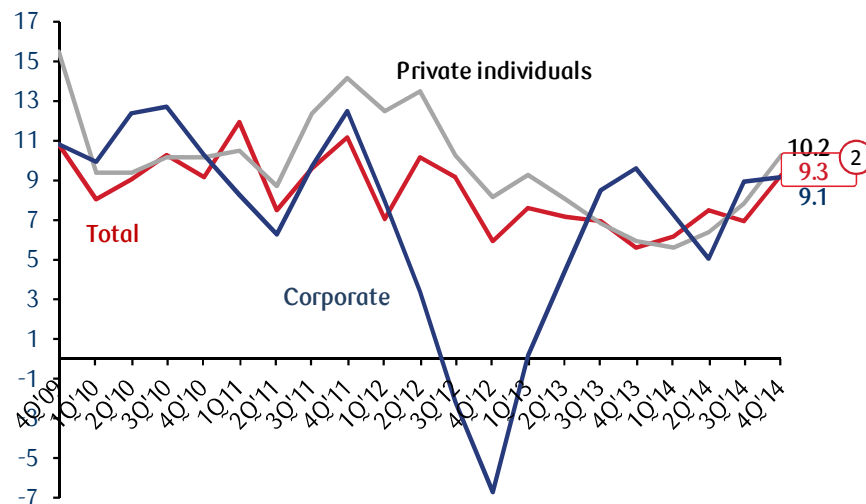


Bank Polski

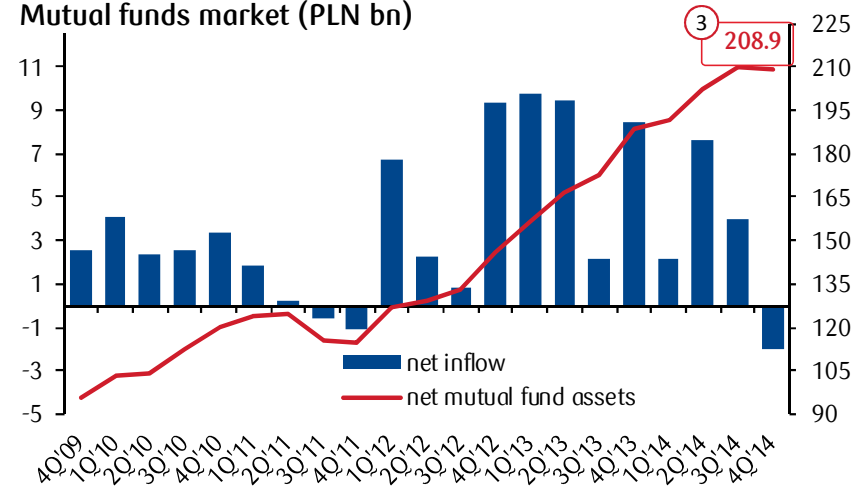
Loan growth rates (% y/y)



Deposit growth rates (% y/y)



Mutual funds market (PLN bn)



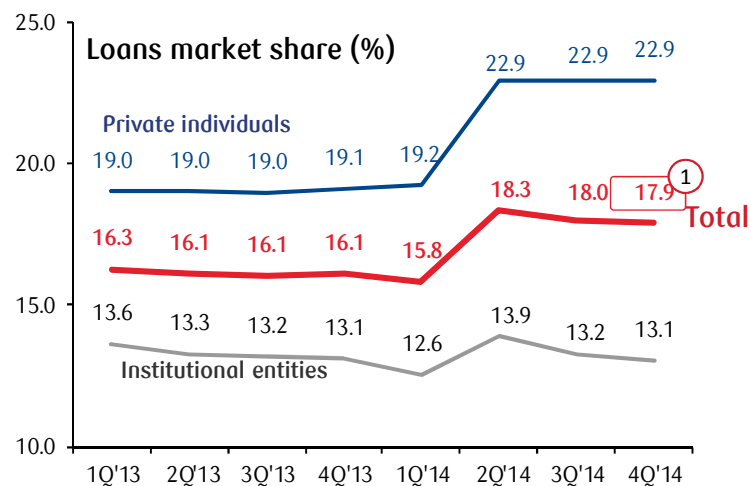
- 1 Higher total credit growth in 4Q2014 (7.1% y/y; FX adj. 6.5%), driven by acceleration in corporate loans growth (7.4%; FX-adj. 5.8%), mortgages growth (5.8%; FX adj. 5.8%) and consumer credit growth (4.5%; FX adj. 4.6%).
- 2 Acceleration in total deposits growth in 4Q2014 (9.3% y/y) – an effect of higher household deposits growth (10.2%) and higher growth in corporate deposits (9.1%). The Loan-to-Deposit ratio declined to 103.8% from 104.5% in 3Q2014
- 3 Outflows from mutual funds in 4Q2014 – due to outflows from closed-end funds (used for tax optimization purposes), accompanied by a rise in real disposable income, low interest rates on bank deposits and stabilization of equity prices

PKO Bank Polski market share

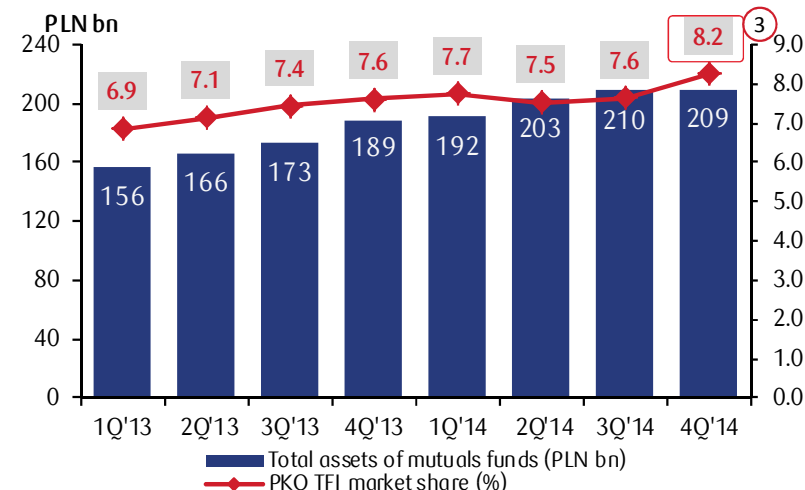
Significant strengthening of the leading position in the Polish banking sector in all market segments



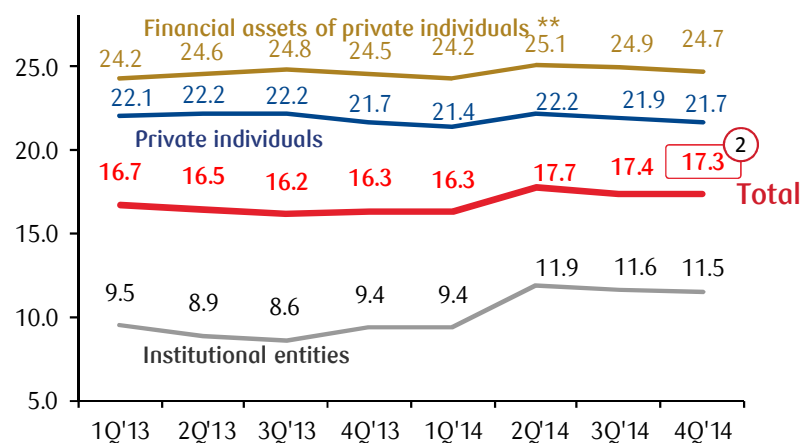
Bank Polski



Mutual funds market share



Deposits market share (%)



- 1 Market share of the loans market (PKO Bank Polski and Nordea Bank Polska combined) increases by 1.8 pp. y/y driven primarily by an increase in the market share of the retail loan market of 3.8 pp. y/y.
- 2 Market share of the deposits market (PKO Bank Polski and Nordea Bank Polska combined) increases by 1.0 pp. y/y driven primarily by an increase in the market share of the institutional deposits market (+2.2 pp. y/y, mainly of corporate deposits, where the Bank's market share increased by 2.9 pp. y/y).
- 3 The increase in the share of PKO TFI in the mutual funds market by 0.6 pp. y/y and q/q

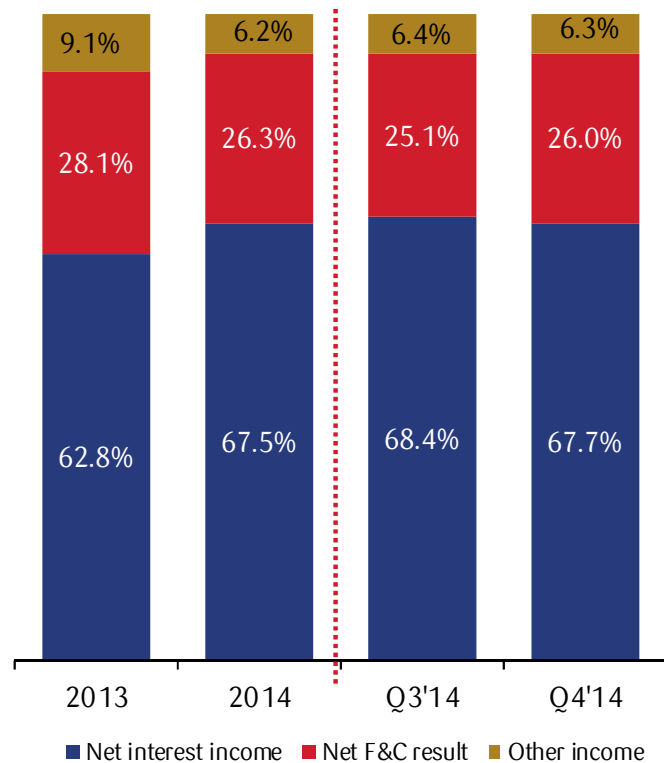
*) Share in the retail deposits market, including assets of private individuals in PKO TFI

Result on business activity



Bank Polski

Split of result on business activity



	PLN mn	2013	2014	Q3'14	Q4'14	Change y/y	Change q/q
Net interest income		6 722	7 523	1 979	1 865	+11.9%	-5.7%
Net F&C result		3 006	2 934	727	718	-2.4%	-1.2%
Other income		979	690	186	174	-29.5%	-6.4%
Result on financial operations and dividends		128	232	54	80	+81.7%	+48.0%
Net FX result		242	236	66	34	-2.5%	-48.8%
Net other income		610	223	65	60	-63.5%	-8.5%
Result on business activity		10 707	11 147¹	2 891	2 757	+4.1%	-4.6%

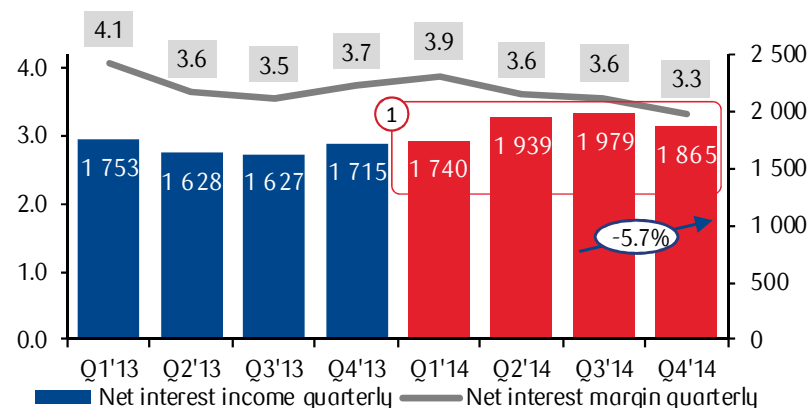
¹ The amount incorporates net income on business activity of the Nordea Group companies generated in 2014 in an amount of ca. PLN 630 million; representing 6% of the total.

Net interest income (1)

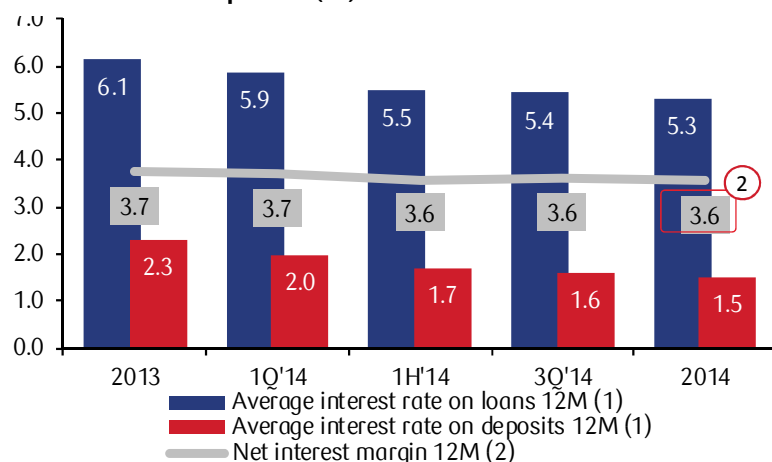


Bank Polski

Net interest income (PLN mn)



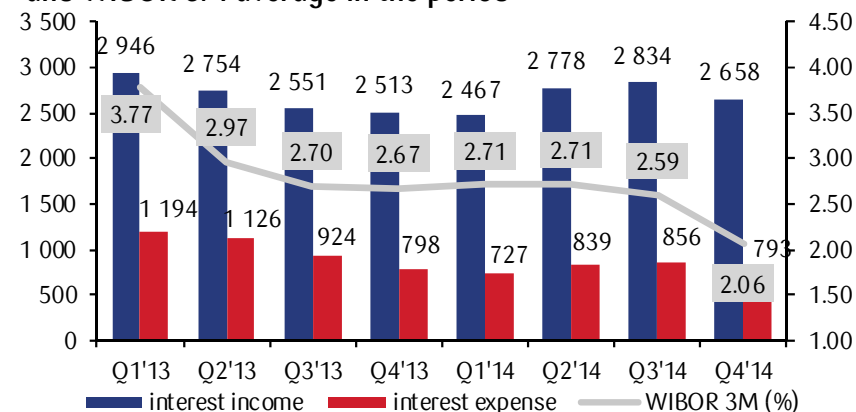
Net Interest margin and average interest rates on loans and deposits (%)



(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)

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



1 The net interest income generated in 2014 was PLN 801.0 million higher than in the previous year, mainly due to a decrease in interest expense by PLN 827 million, along with a stable level of interest income. Net interest income was determined i.a. by the further fall in market interest rates (which for 1M and 3M WIBOR on an annual basis was 0.53 pp. and 0.65 pp. respectively), which was offset by an increase in revenues related to the increase in the loan portfolio. Another factor driving the increase in net interest income was the inclusion of the effect of Nordea Group totalling ca. PLN 285 million from the beginning of Q2 2014.

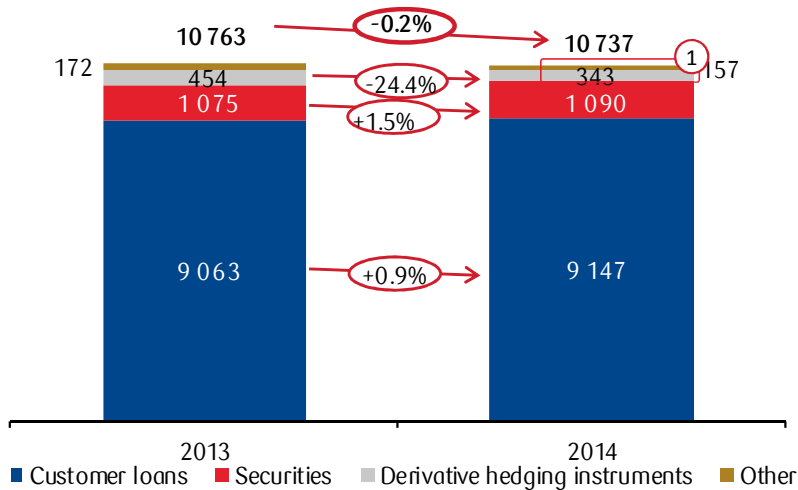
2 Interest margin of the PKO Bank Polski SA Group amounted to 3.6% in 2014 and still remains at a stable level on an annual basis despite a drop of interest rates. Excluding that of the Nordea Group companies, interest margin in 2014 rose by 0.2 pp and reached 3.8%.

Net interest income (2)

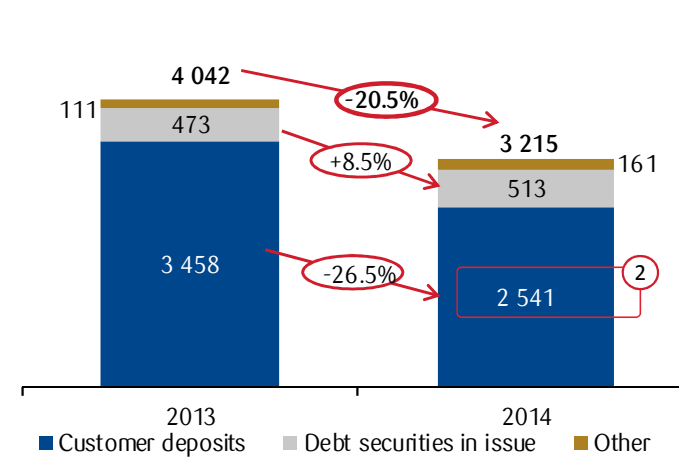


Bank Polski

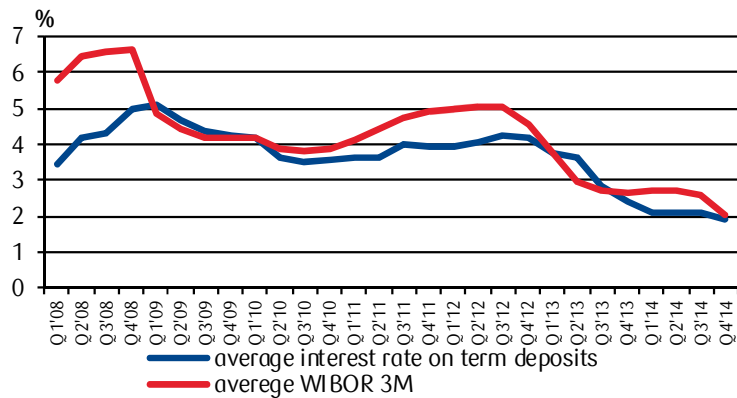
Structure of interest income (PLN mn)



Structure of interest expense (PLN mn)



Interest rates on term deposits vs. WIBOR 3M (%)



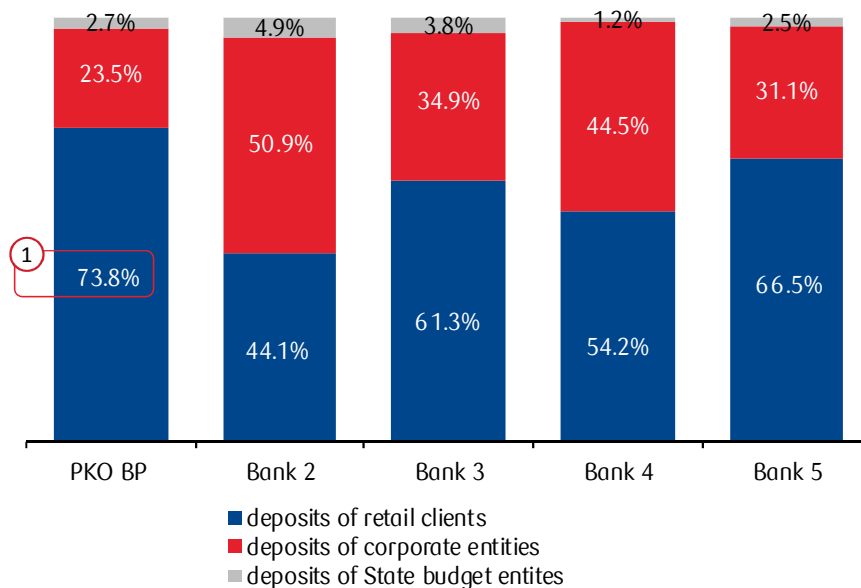
- 1 Decrease in income resulting from narrowing of the spread between the PLN and foreign currency rates; as a result of a drop in the WIBOR market rates and a drop in the average volume of CIRS transactions covered by hedge accounting.
- 2 The drop in the costs of amounts due to customers resulted from a lower average interest rate on deposits – the effect of the drop in market interest rates and the adaptation of the price offer of deposit products. Also the change in the structure of deposits had a positive effect on the level of the interest expense on amounts due to customers.

Structure of deposit base as compared to competitors



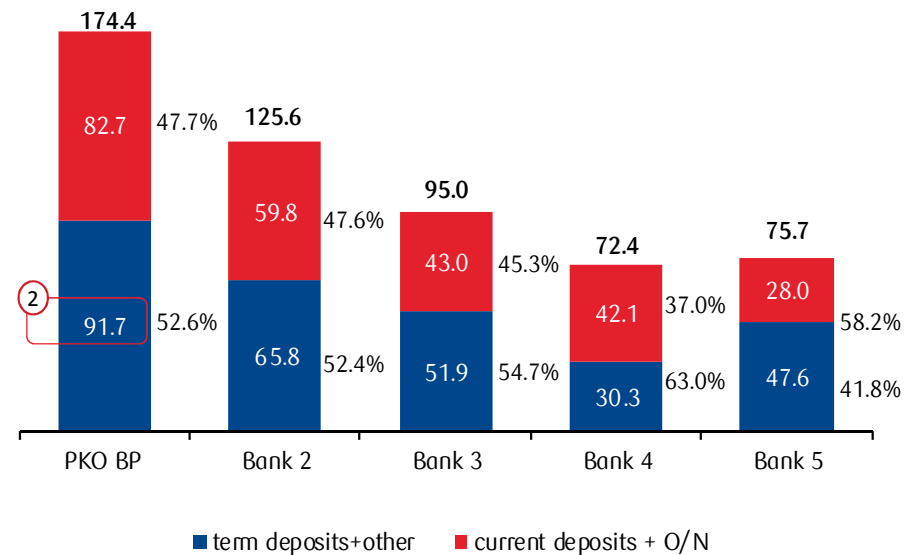
Bank Polski

Structure of total deposits by client type¹⁾
(as at 31.12.2014)



¹⁾ PKO Bank Polski has the largest share of retail deposits, resulting in lower responsiveness to changes in the financial conditions in the short term

Deposits structure in Polish banks
(as at 31.12.2014 in PLN bn)



²⁾ PKO Bank Polski has the highest volume of term deposits, including a significant volume of deposit for a period of up to 12M, which - under conditions of declining interest rates - increases its interest costs in the short term.

Source: banks' consolidated financial statements

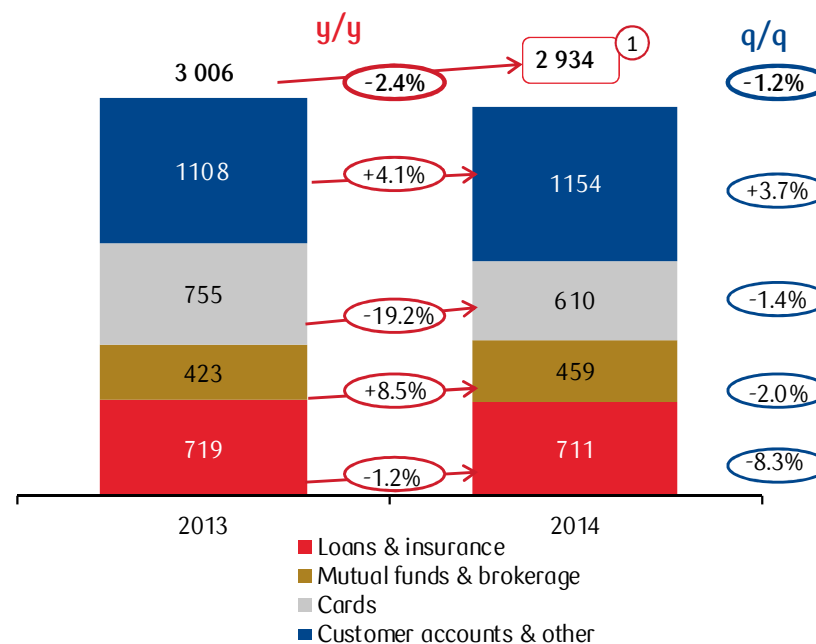
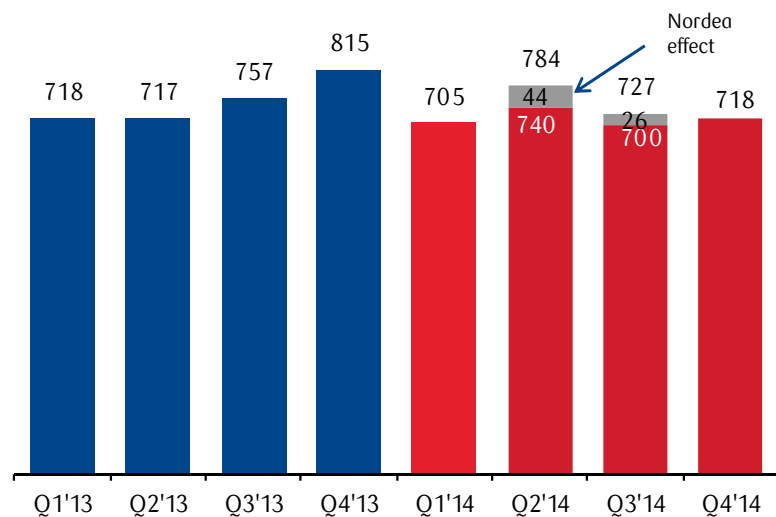
(1) Amounts due to customers

Net fee & commission income



Bank Polski

Net fee and commission income (PLN mn)



¹ The level of net fee and commission income was significantly determined by:

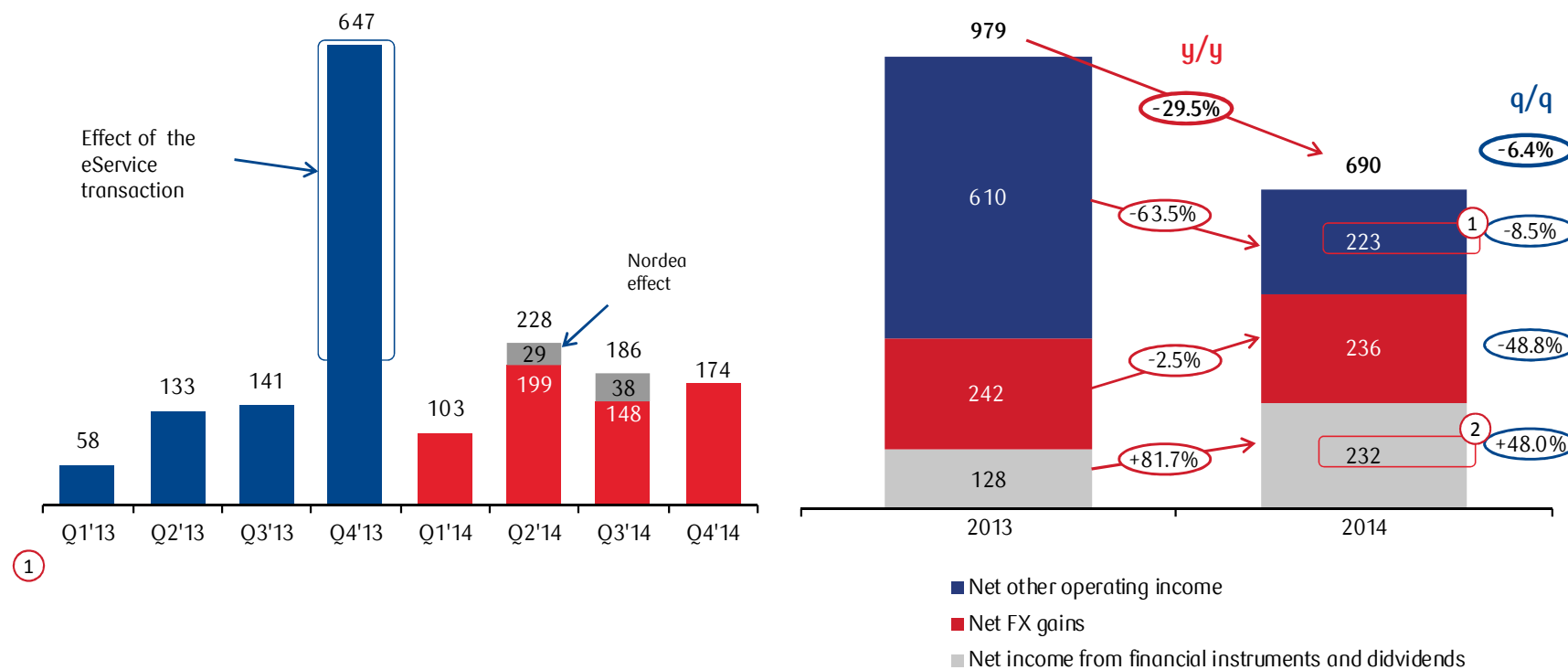
- a decrease in the result on payment cards, mainly due to a decrease in commission related to interchange fee, in connection with a reduction of interchange fee rates by payment organisations - lower commission related to was accompanied by the increase in card transactions,
- a decrease in net fee and commission income in respect of loan insurance, mainly due to a decrease in insurance saturation of loans,
- an increase in acquisition service costs, connected with the acquisition of insurance company and the growth of investment and insurance product distribution costs,
- a decrease in income on cash transactions, related to the development of electronic banking,
- an increase in fee and commission income in respect of maintenance of bank accounts,
- an increase in commission income in respect of maintenance of investment funds and open pension funds (including management fees),
- an increase in income in respect of investment and insurance products, due to the acquisition of PKO Życie Towarzystwo Ubezpieczeń SA and expansion of the Group's product offer to include investment and insurance products.

Net other income



Bank Polski

Net other income (PLN mn)



①

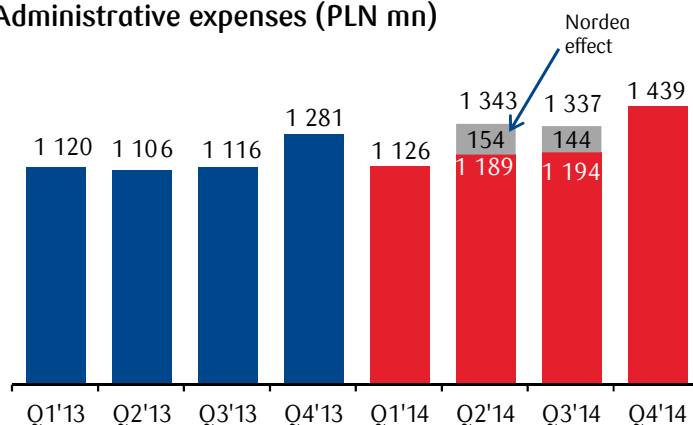
Decrease of the result mainly due to high 2013 reference base resulting from inclusion in this item of income on the sale in Q4'13 of a 66% stake in the eService subsidiary amounting PLN 315 mn and on fair value readjustment of the remaining share interest in the eService amounting PLN 162 mn. Net of the eService transaction, increase in net other income was 38.3% y/y.

Administrative expenses

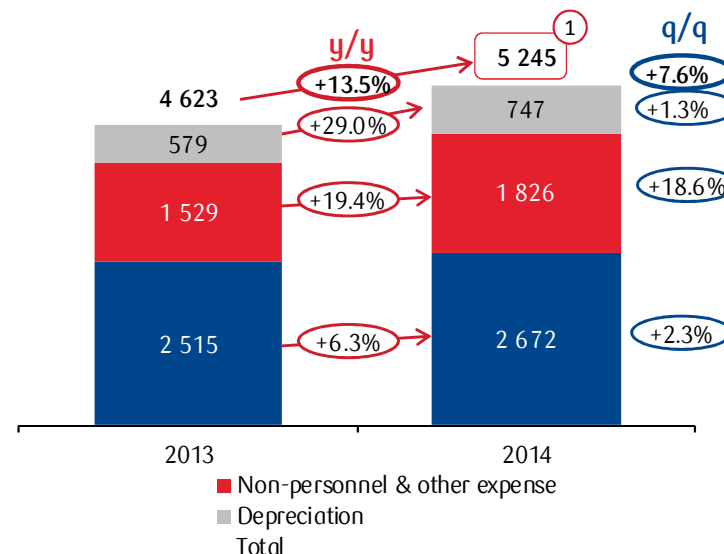
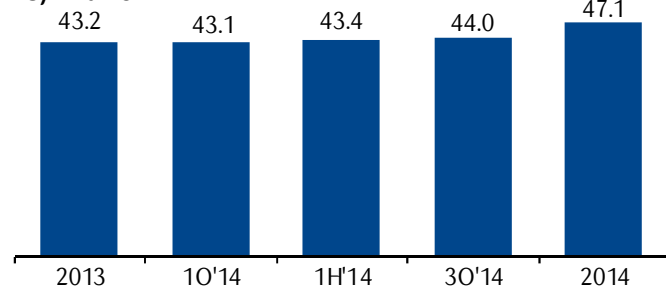


Bank Polski

Administrative expenses (PLN mn)



C/I ratio



Employment (FTEs) eop

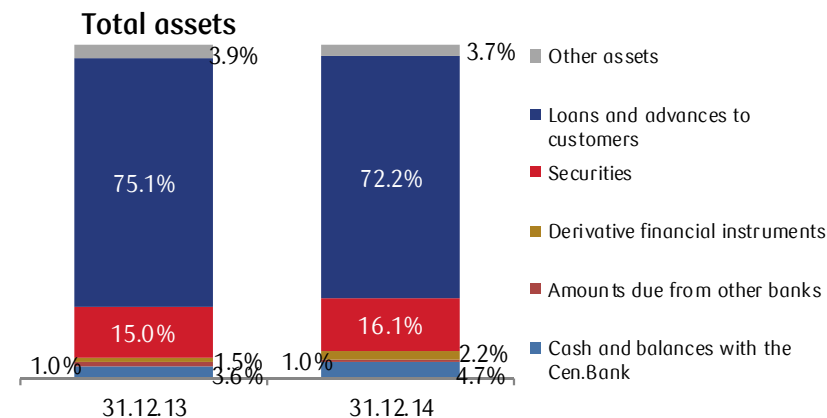
	2013	2014	Change y/y	
			FTEs	%
Bank	24 437	25 927	1 490	6.1%
Group	27 387	29 032	1 645	6.0%

¹ In 2014 administrative expense amounted to PLN 5 245.1 million and increased by 13.5% compared with the previous year. The level of administrative expenses was determined mainly by changes in the PKO BP Group structure in 2014; mainly acquisition of Nordea Group entities, which caused the operating efficiency of the PKO BP Group, as measured by the annualised C/I ratio, to shape up at the level of 47.1%. The value of the indicator should come down at the achievement of synergies from the integration of the Nordea Group operating companies. Total contribution of the Nordea Group (including the integration costs) to administrative expenses in 2014 amounted to ca PLN 450 million.

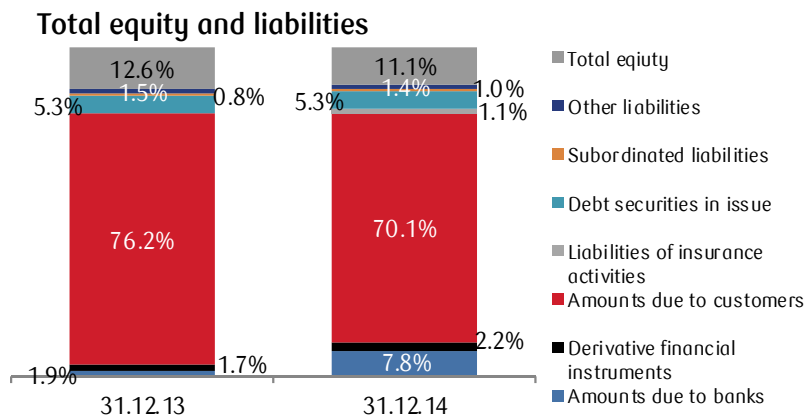
Consolidated statement of financial position



Bank Polski



	PLN bn	31.12.13	31.12.14	Change y/y
Cash and balances with the Cen.Bank		7.2	11.7	+62.0%
Amounts due from other banks		1.9	2.5	+31.3%
Derivative financial instruments		3.0	5.5	+83.1%
Securities		29.8	40.2	+34.8%
Loans and advances to customers		149.6	179.5	+20.0%
Other assets		7.7	9.3	+21.5%
Total assets		199.2	248.7	+24.8%



	PLN bn	31.12.13	31.12.14	Change y/y
Amounts due to banks		3.8	19.4	+417.1%
Derivative financial instruments		3.3	5.5	+66.6%
Amounts due to customers		151.9	174.4	+14.8%
Liabilities of insurance activities		0.0	2.7	x
Debt securities in issue		10.5	13.3	+26.1%
Subordinated liabilities		1.6	2.4	+48.9%
Other liabilities		2.9	3.4	+14.8%
Total equity		25.2	27.6	+9.8%
Total equity and liabilities		199.2	248.7	+24.8%

1 Contribution of the Nordea transaction to total assets amounted to ca. PLN 30 bn

Loans and deposits

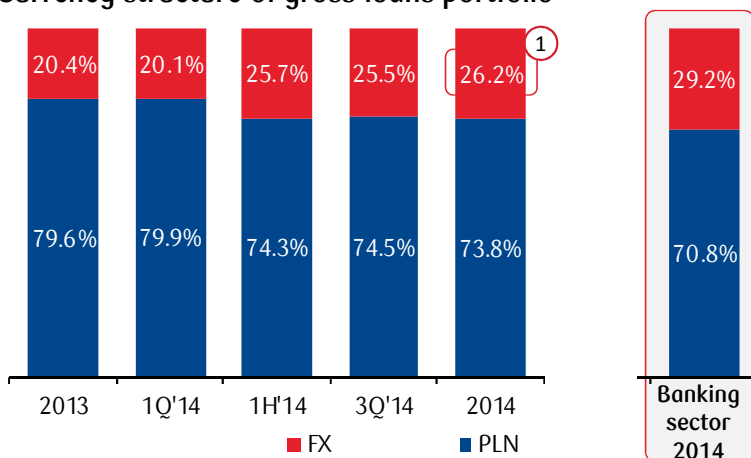


Bank Polski

Gross loans (PLN bn)

2013	1Q'14	1H'14	3Q'14	2014
156.3	156.3	185.4	186.0	187.5

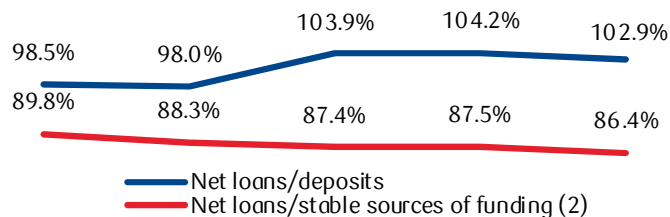
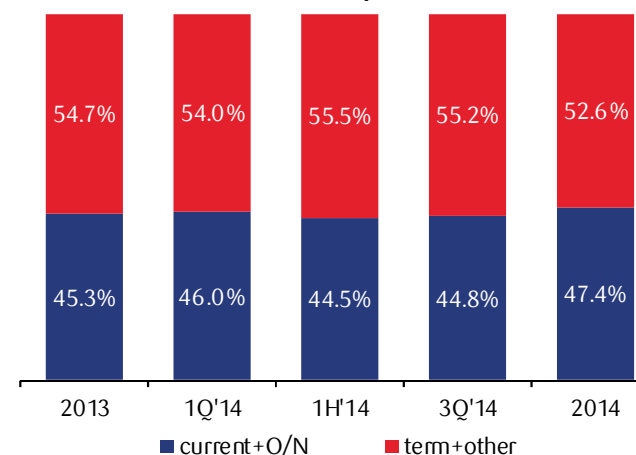
Currency structure of gross loans portfolio



Deposits(1) (PLN bn)

2013	1Q'14	1H'14	3Q'14	2014
151.9	152.7	171.4	171.2	174.4

Term structure of total deposits¹⁾



¹⁾ The increase in the share of FX loans results from inclusion of the Nordea Bank Polska portfolio, in which FX loans represented ca. 70%.

- (1) Amounts due to customers
- (2) Amounts due to customers and long-term external funding in the form of: securities issues (including funds raised through issuance under an EMTN programme executed by PKO Finance AB); subordinated debt; and amounts due to financial institutions

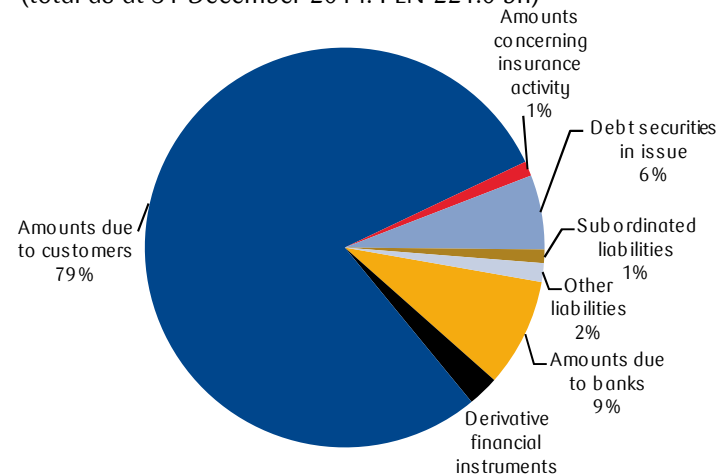
Funding sources



Bank Polski

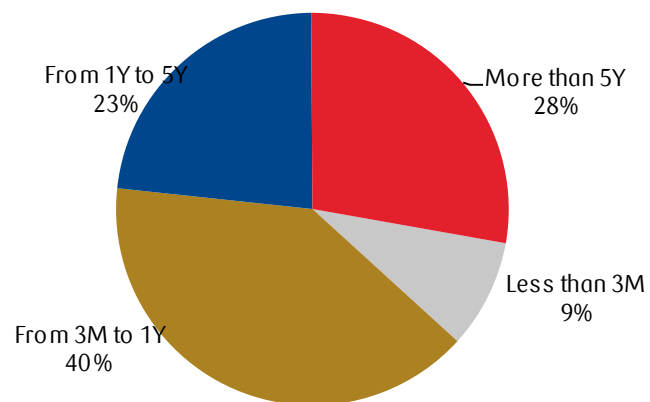
Liabilities structure

(total as at 31 December 2014: PLN 221.0 bn)



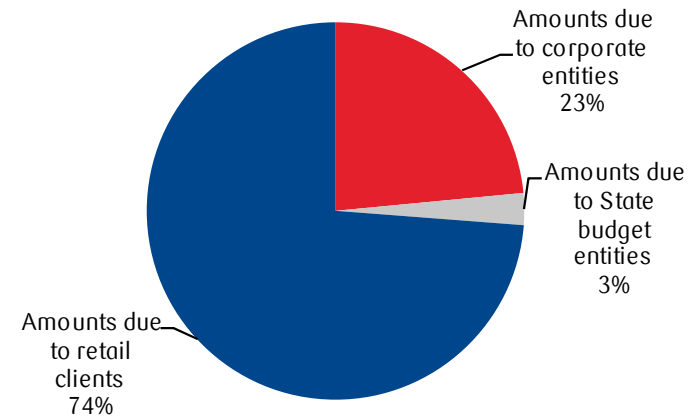
Debt securities structure

(total as at 31 December 2014: PLN 13.3 bn)



Deposit structure

(total as at 31 December 2014: PLN 174.4 bn)

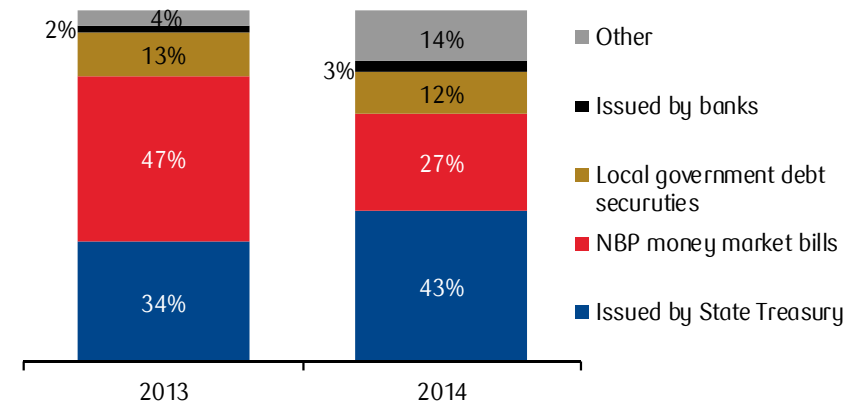
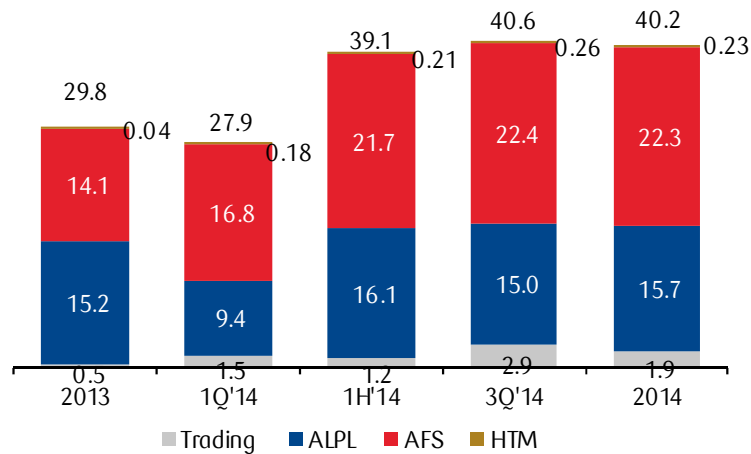


- Retail and corporate deposits are the primary funding source.
- Financing agreements as at the end of 3Q 2014 included:
 - CHF 410 mn 3-year credit facility opened in July 2012
 - EUR 800 mn 5Y Eurobonds raised in October 2010
 - CHF 250 mn 5Y bonds issued in July 2011
 - CHF 500 mn 3.25 Y bonds issued in September 2012
 - USD 1,000 mn 10Y notes issued in September 2012 on the US market under Rule 144A
 - EUR 500 mn 5Y bond issued in January 2014
 - multi-currency (CHF 3,645.8 mn, EUR 465.4 mn and USD 3.7 mn) 7-year credit from Nordea Bank AB opened in April 2014
 - CHF 224 mn 10Y subordinated loan opened by Nordea Bank Polska in April 2012
 - PLN 1,600.7 mn 10Y subordinated bond issued in September 2012

Securities portfolio breakdown

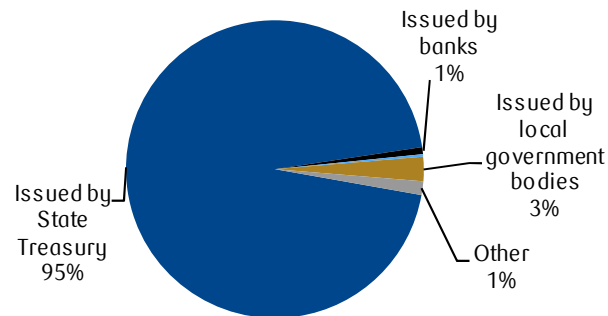


Bank Polski

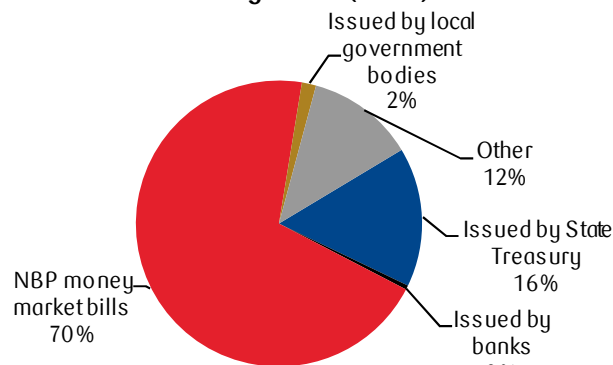


Structure as at the 2014-end

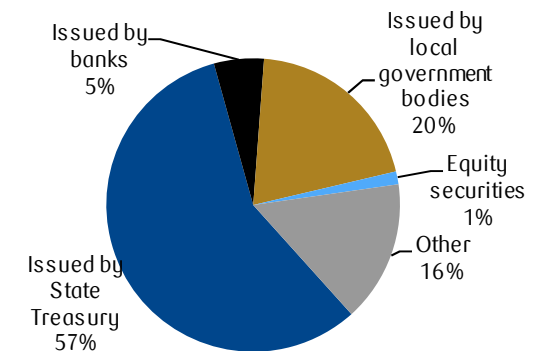
Trading assets



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



Investment securities available for sale (AFS)



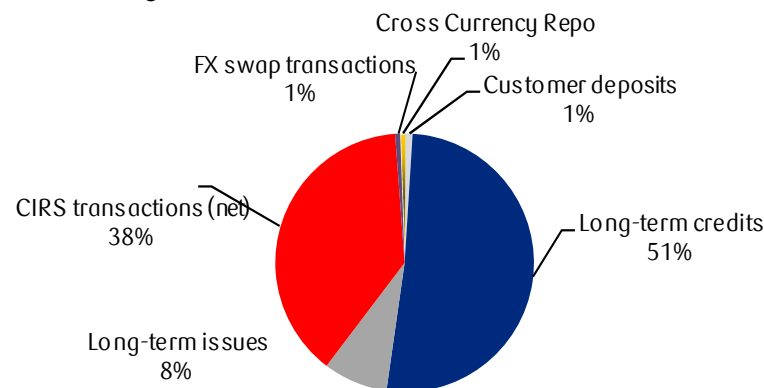
Long-term funding in CHF



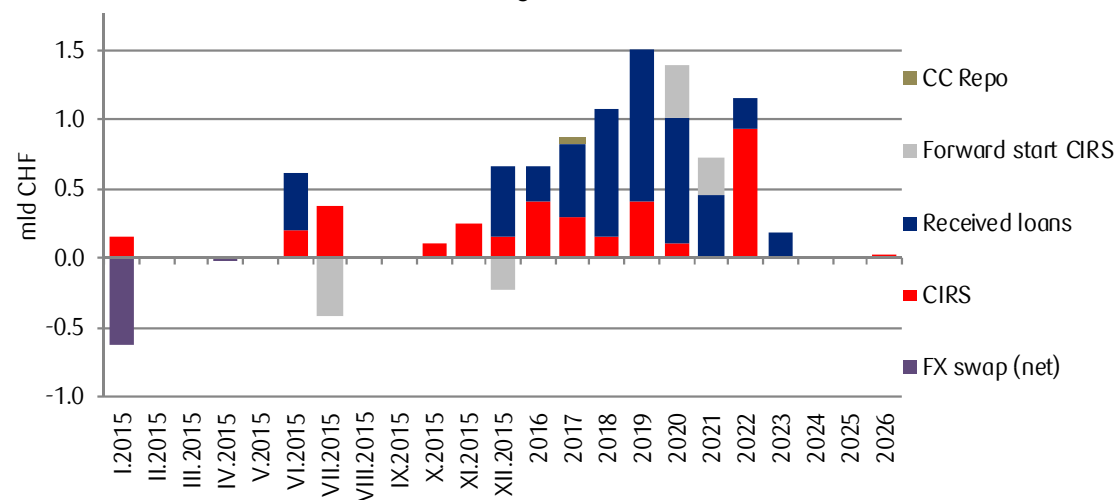
Bank Polski

	Kind of funding 31.12.2014 r.	Amount (CHF mn)
1.	Credit from Nordea AB	3 646
2.	Credit from European Investment Bank	412
3.	Credit from Council of Europe Development Bank	76
4.	Syndicated loan	410
5.	Long-term bond issues under the EMTN program	750
6.	Subordinated loan	224
7.	Customer deposits	92
8.	Cross Currency Repo	50
9.	FX swap transactions	60
10.	CIRS transactions (netto)	3 581
	Total	9 301

CHF Funding



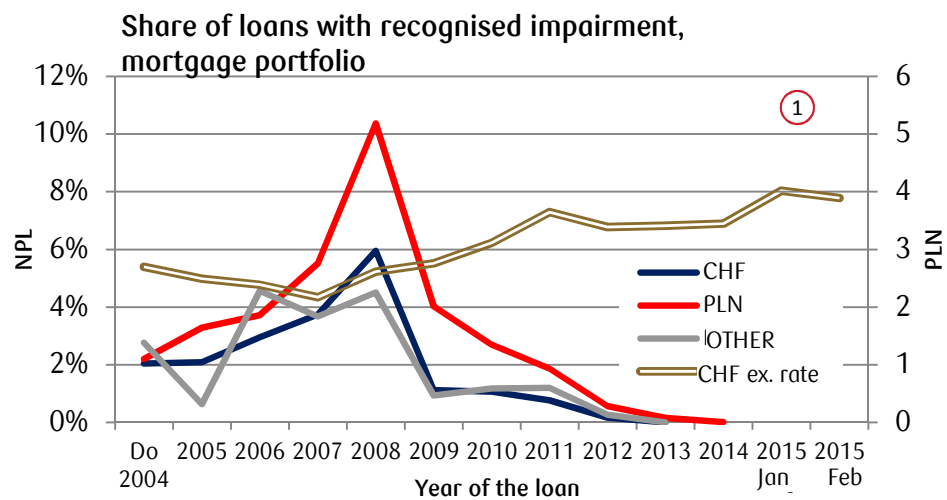
Maturities of market funding in CHF on 31.12.2014



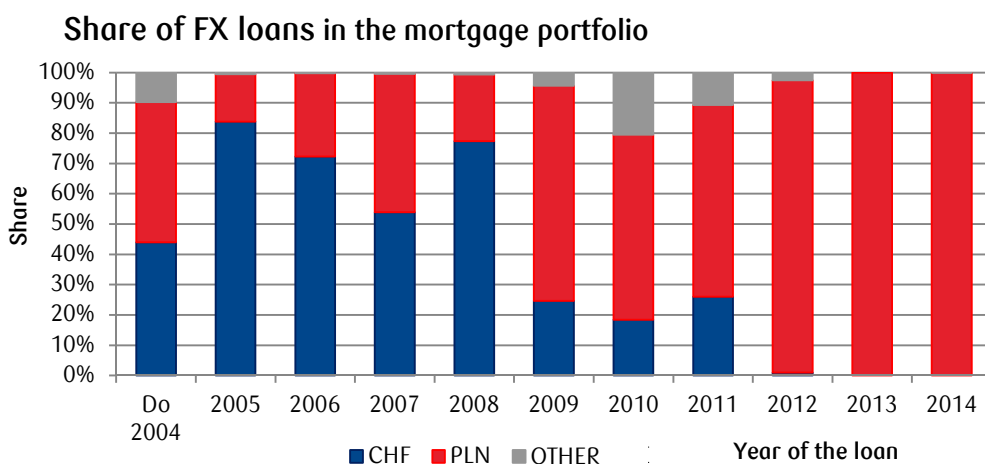
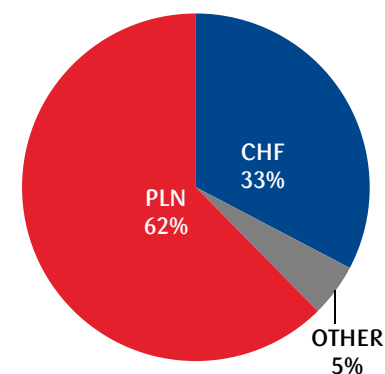
Current structure of the mortgage portfolio



Bank Polski



Currency structure of the mortgage portfolio (as at 31.12.2014)

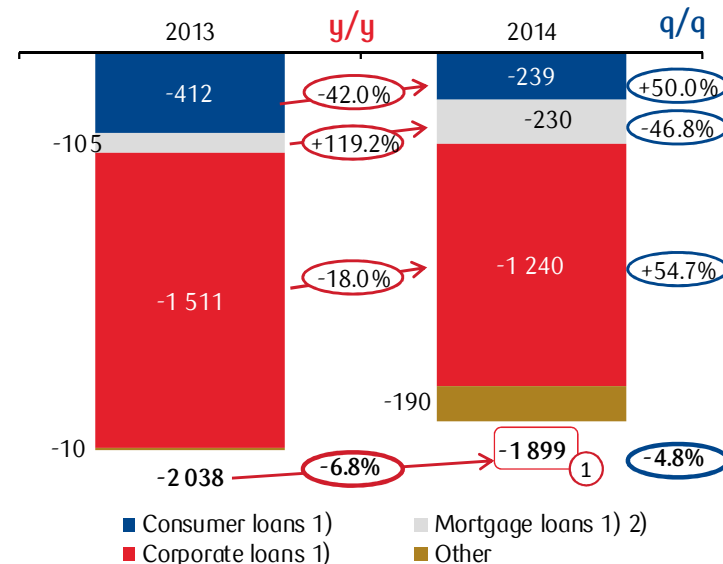
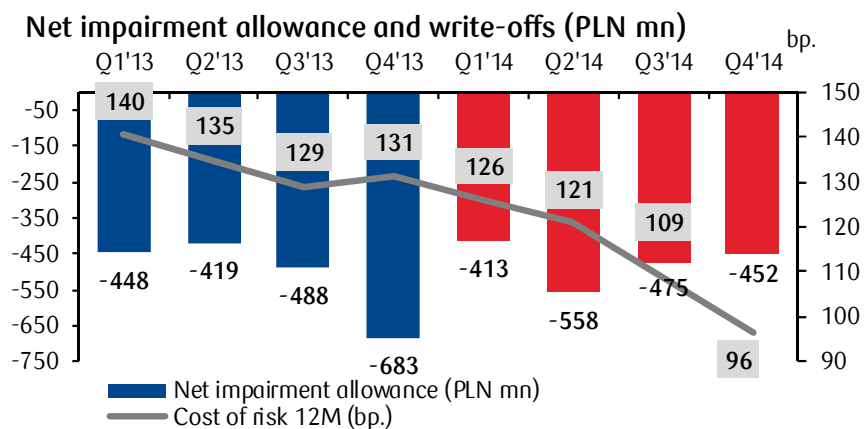


- 1 The portfolio of loans denominated in CHF is characterised by a much better quality than PLN loans, regardless of the period in which it was run
- 2 The level of NPL ratio for loans denominated in CHF is higher than in loans granted in PLN due to portfolio repayments and new sales in the domestic currency

Net impairment allowance



Bank Polski



Share of loans with recognised impairment³⁾

	2013	2014	Change y/y
Consumer loans	9.7%	8.0%	-1.7 pp.
Mortgage loans	3.6%	2.8%	-0.8 pp.
PLN	3.1%	2.6%	-0.5 pp.
FX	4.6%	3.1%	-1.5 pp.
Corporate loans	12.6%	11.6%	-1.0 pp.
Total	8.2%	6.9%	-1.3 pp.

1) The 6.8% y/y improvement in net impairment allowance compared with the previous quarter is mainly a result of a decline in net impairment allowance on the consumer and corporate loans portfolio.

(1) management accounts data (2) Housing loans to individuals

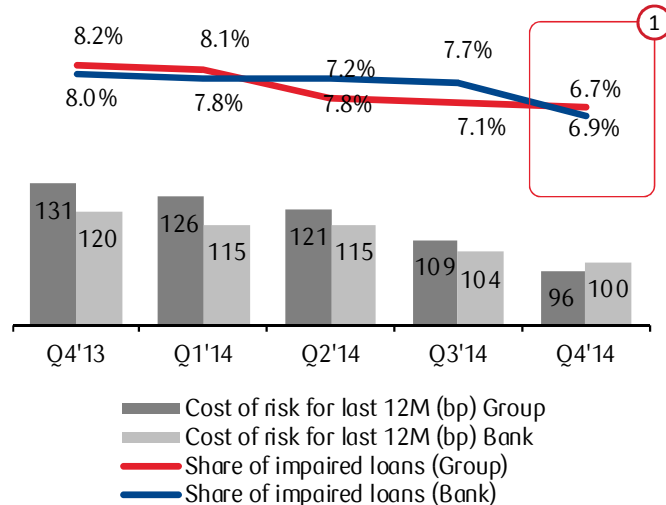
(3) Calculated by dividing the gross carrying amount of impaired loans and advances to customers by the gross carrying amount of loans and advances to customers

Loan portfolio quality

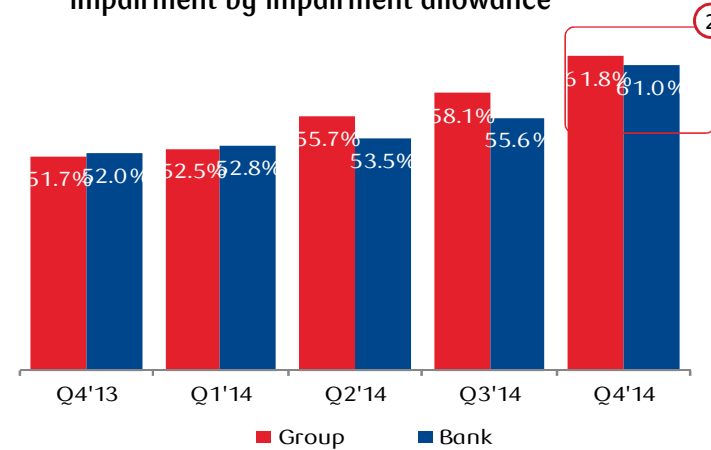


Bank Polski

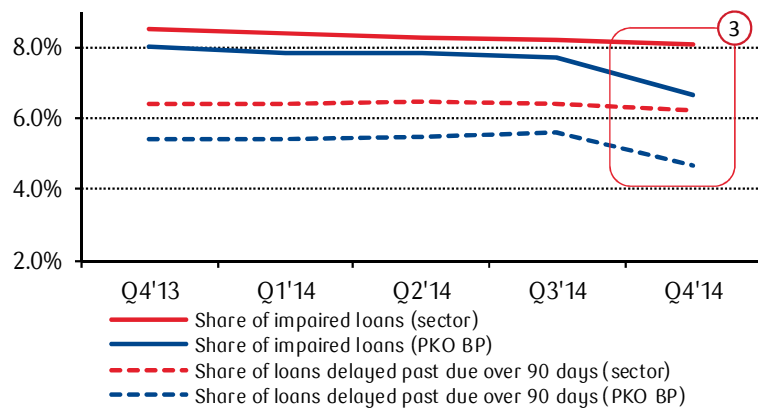
Share of loans with recognised impairment and cost of risk



Coverage of loans with recognised impairment by impairment allowance



Quality of loan portfolio vs. banking sector



Source: Own calculations based on PFSA data for the banking sector

- 1 Maintenance of the decreasing trend in share of loans with recognised impairment both in the Bank and in the Group.
- 2 Continuation of increase in impairment allowance coverage of loans with recognised impairment.
- 3 Increase in the positive gap in loan portfolio quality between the Bank and the sector.



Capital adequacy

The Bank has adapted to the changes resulting from the enforcement of the Directive and the Regulation on prudential requirements and supervision (the CRD IV / CRR Package) and has been preparing mandatory reporting under the new rules since 31 March 2014.

The implementation of the new regulations did not significantly affect the capital position of the Bank.

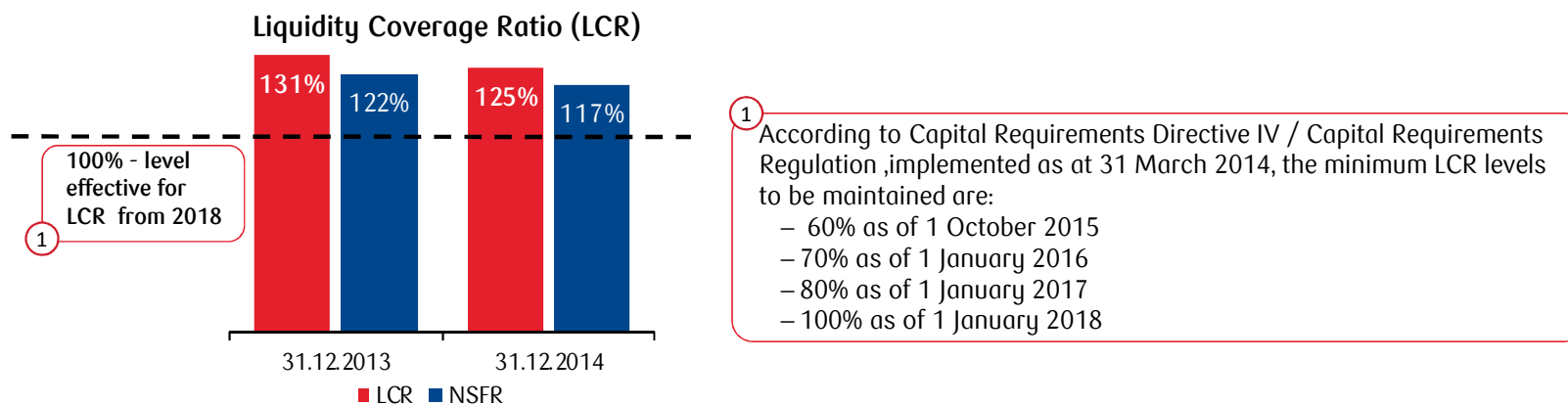
The key changes from the Bank's perspective include: (•) the definition of own funds, (•) the new capital requirements for CVA.

The AQR and stress test results (published on 26 October 2014) have confirmed strong capital position of the Bank. In each of the tested scenarios, even the most adverse one, the Bank's results remained significantly above the required capital ratio threshold.

On 15 January 2015, the Swiss National Bank announced that it would no longer maintain a fixed EUR/CHF exchange rate at 1.2, which resulted in a rapid appreciation of the Swiss franc. The resulting depreciation of the Polish zloty influences the value of the Bank's mortgage portfolio denominated in CHF, increasing the credit-risk related capital requirements, in consequence resulting in a lower TCR (Total Capital Requirement) ratio as well as lower common equity Tier1 (CET1) ratio.

The Bank estimates that at a CHF/PLN exchange rate equal to 4.20: (•) the standalone TCR would be reduced by 0.31 pp. (•) standalone CET1 would fall by 0.35 pp.

The aforementioned estimates are based on latest data available as of 31 December 2014.



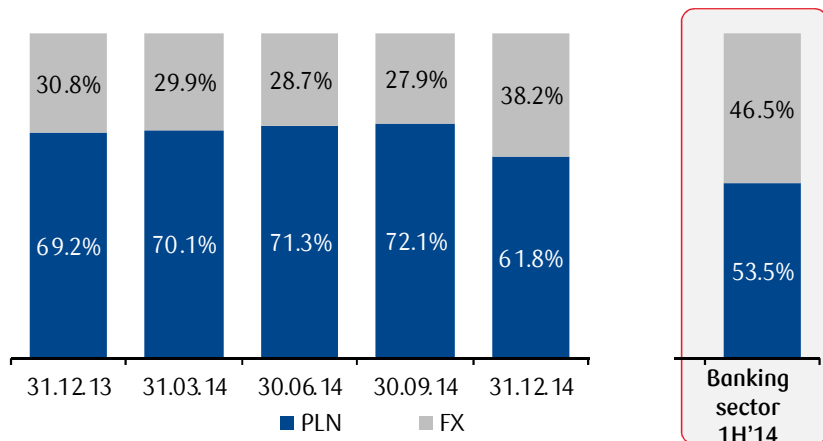
Retail segment – mortgage loans



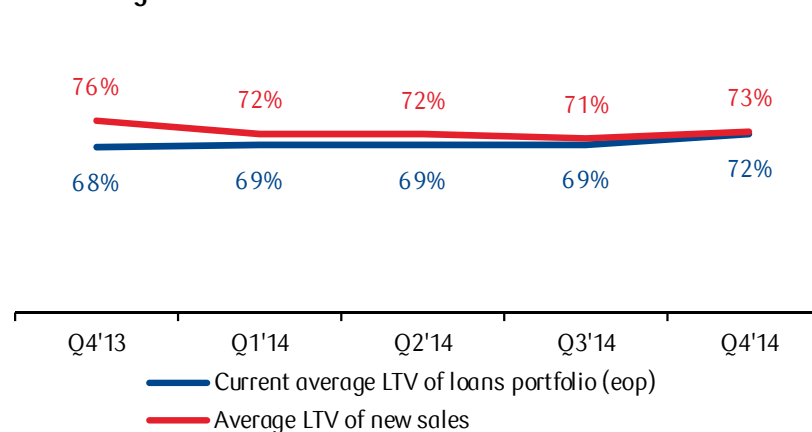
Bank Polski

Standalone data

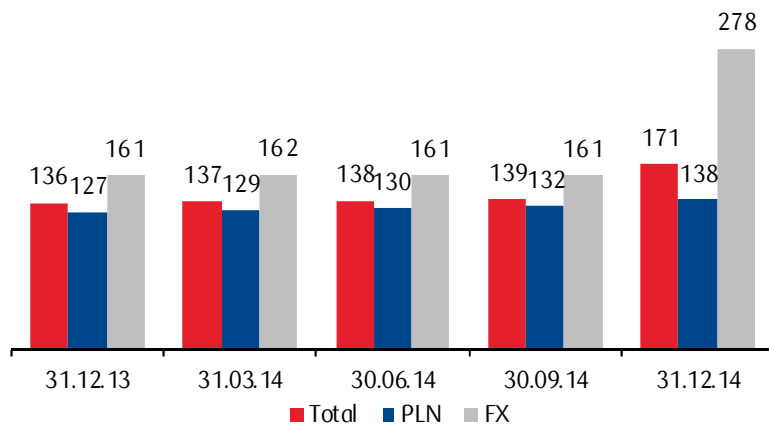
Structure of mortgage loans portfolio



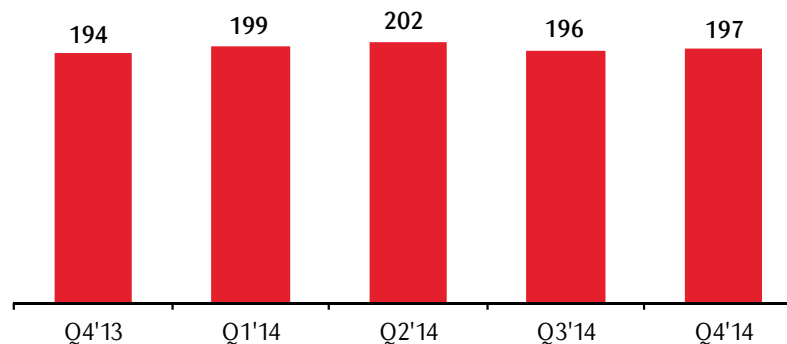
Average LTV



Average carrying value of mortgage loan (PLN'000)



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

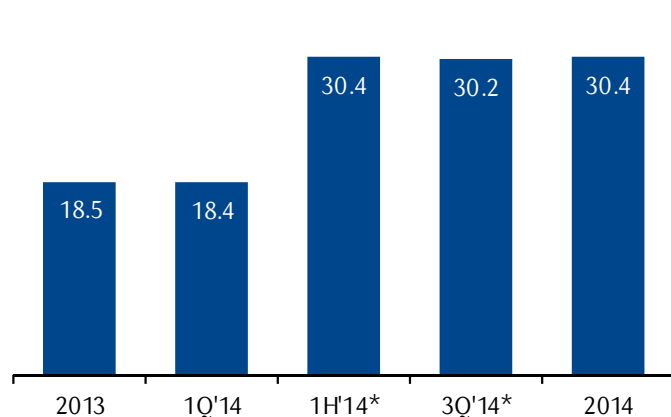


Mortgage loans portfolio in CHF

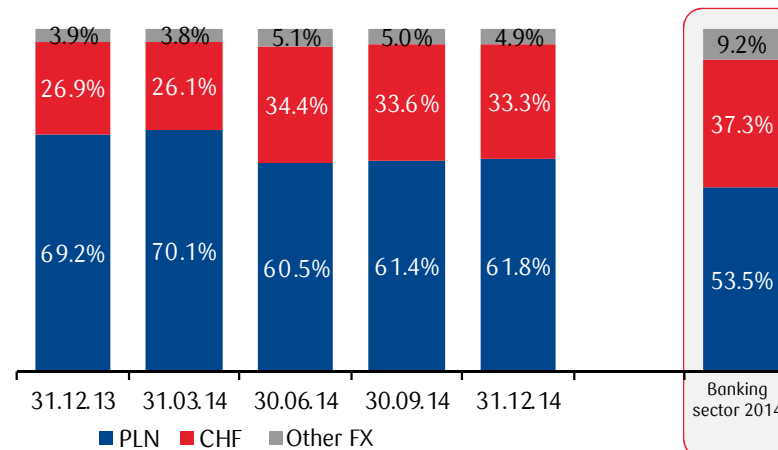


Bank Polski

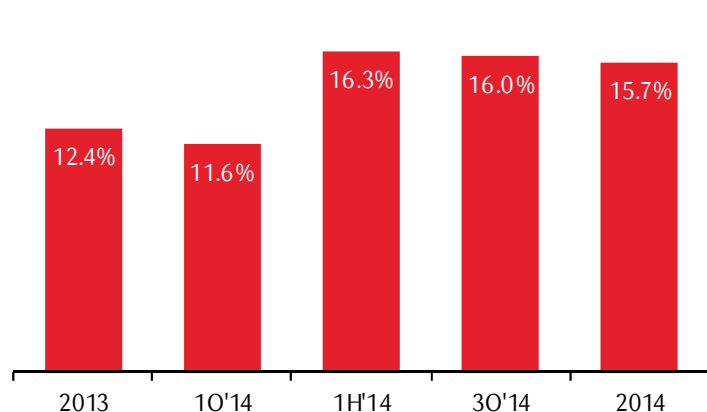
Volume of CHF mortgage loans (PLN bn eop)



Structure of mortgage loans by currency



Share of CHF mortgage loans in total loan portfolio



Relief measures vis-a-vis the Bank's customers with mortgage loans in CHF:

- 1) Inclusion of negative CHF LIBOR rate values in setting of the mortgage banking product rates;
- 2) Interim relief measures effective until 30 June 2015:
 - Reduction of the currency spread rate to 1% for the mortgage banking products denominated in CHF;
 - Enabling extension of lending tenors without any additional fee or charge;
 - Refraining from actions aimed at seeking additional loan collateral;
 - Enabling loan currency conversion at average NBP rate as at the date of the loan agreement annex signature (at no additional charge);
 - Flexible treatment of borrowers in temporary financial difficulties or with other types of force majeure issues, among others, waiver of the agreement annex signature fee;
- 3) Temporary implementation (until the end of 2015) of an additional relief for CHF borrowers, including reimbursement to them of a part of their principal repayments whenever the negative reference rate exceeds the Bank's margin.

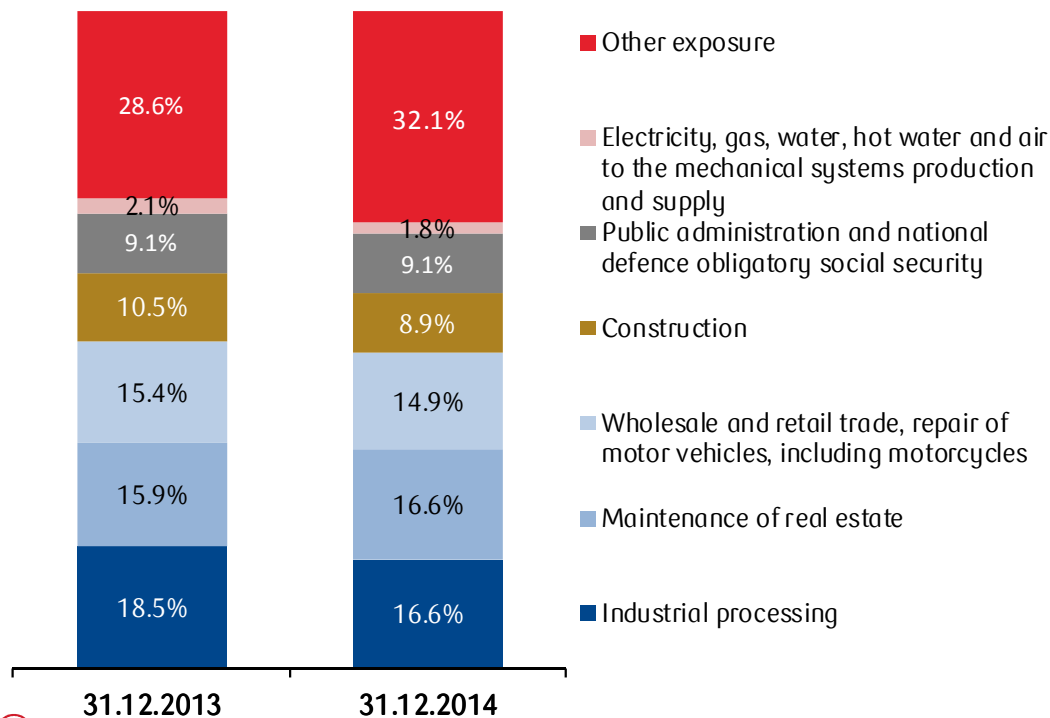
*) Volumes 1H'14 and 3Q'14 include CHF mortgage loans of Nordea Bank Poland at ca PLN 12 billion

Credit risk concentration

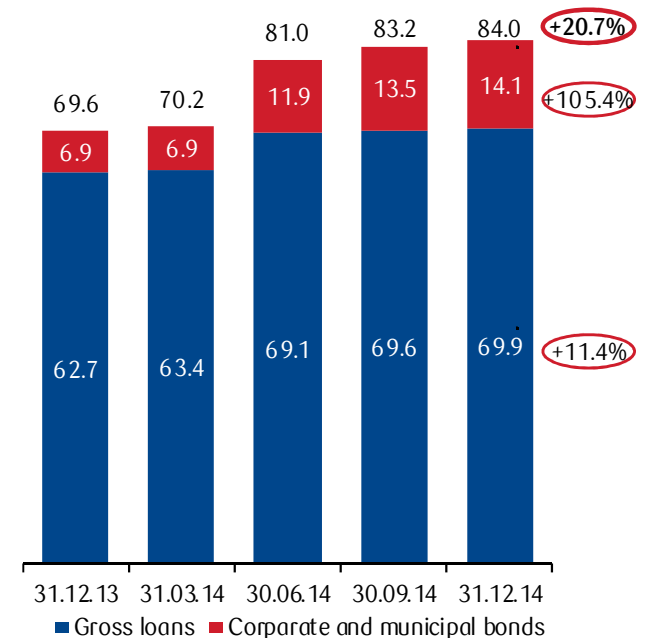


Bank Polski

Structure of corporate¹⁾ loans by industry segment



Receiveables due from corporate¹⁾ entities (PLN bn)



1)

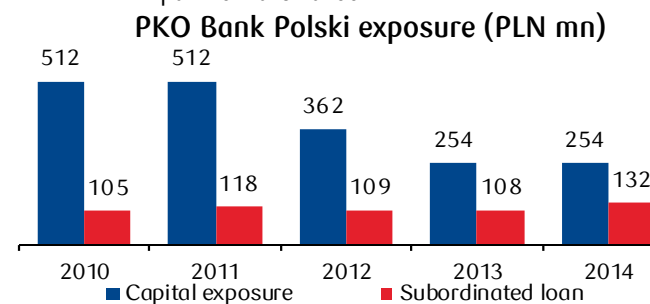
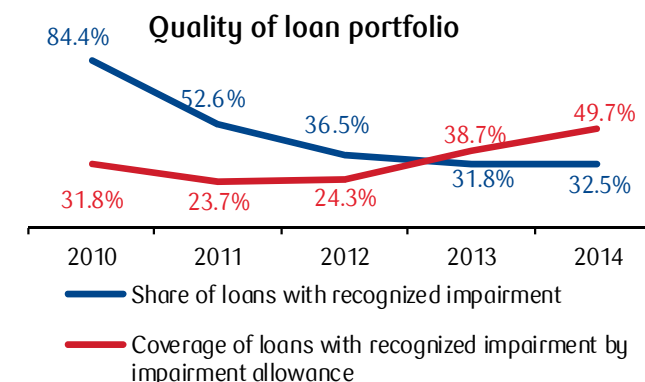
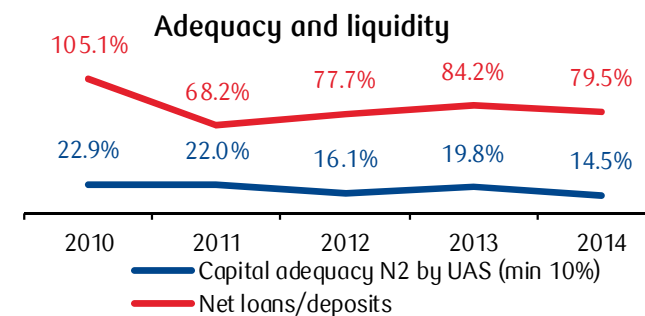
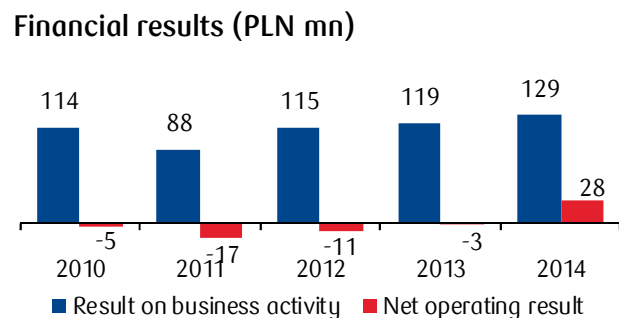
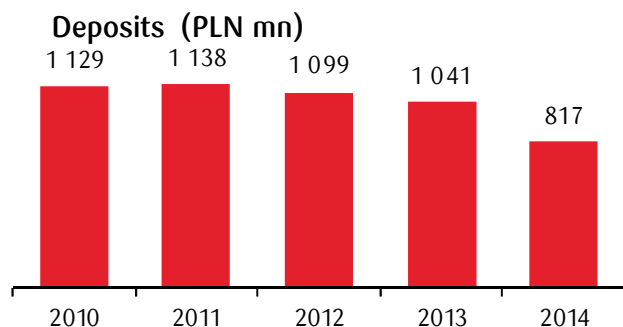
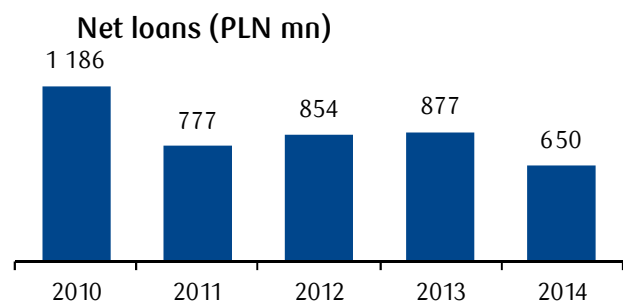
The highly diversified structure of the loan book points to low sector exposure concentration. At the end of 2014, the segment which had the largest share in the portfolio was 'Industrial processing' (16.6%), which on yearly basis recorded some decline in the portfolio (-1.8 pp.). 'Construction' recorded a slightly lower decline in the portfolio (-1.6 pp. y/y). At the same time, the largest increases were recorded in the 'Other exposures' segment (+3.6 pp. y/y). Those changes in the structure of the corporate loans portfolio resulted primarily from inclusion of the Nordea Group's portfolio.

(1) Gross loans of non-financial and state budget entities ○ Change y/y

Activity in Ukraine – The restructured Kredobank is ranked by Forbes the safest bank in Ukraine



Bank Polski



Basic operational data



Bank Polski

PKO Bank Polski operating data (eop)	2013	1Q'14	1H'14	3Q'14	2014	Change	
						y/y	q/q
Current accounts ('000)	6 318	6 333	6 357	6 358	6 660	+5.4%	+4.7%
Banking cards ('000)	7 080	7 155	7 174	7 160	7 468	+5.5%	+4.3%
of which: credit cards	825	836	853	838	843	+2.2%	+0.6%
Branches:	1 186	1 186	1 186	1 189	1 319	+11.2%	+10.9%
- retail	1 147	1 147	1 147	1 150	1 280	+11.6%	+11.3%
- corporate	39	39	39	39	39	0.0%	0.0%
Agencies	1 074	1 069	1 054	1 027	1 001	-6.8%	-2.5%
ATMs	2 992	3 028	3 040	3 056	3 065	+2.4%	+0.3%
Active IKO applications ('000)	101	136	169	196	228	+125.5%	+16.7%

Consolidated income statement of the PKO Bank Polski Group



Bank Polski

Profit and loss account (PLN '000)	2013	2014	Change y/y
Net interest income	6 721 962	7 522 931	+11.9%
Net fee and commission income	3 005 752	2 933 506	-2.4%
Other income	979 152	690 127	-29.5%
Dividend income	5 766	6 511	+12.9%
Net income from financial instruments designated at fair value	54 309	75 188	+38.4%
Gains less losses from investment securities	67 484	150 050	+122.3%
Net foreign exchange gains	241 848	235 797	-2.5%
Net other operating income and expense	609 745	222 581	-63.5%
Total income items	10 706 866	11 146 564	+4.1%
Net impairment allowance and write-offs	(2 037 881)	(1 898 670)	-6.8%
Administrative expenses	(4 622 543)	(5 245 141)	+13.5%
Share in net profit (losses) of associates and jointly controlled entities	(1 978)	31 810	x
Profit before income tax	4 044 464	4 034 563	-0.2%
Income tax expense	(816 271)	(791 747)	-3.0%
Net profit attributable to non-controlling shareholders	(1 600)	(11 306)	+606.6%
Net profit attributable to the parent company	3 229 793	3 254 122	+0.8%

Consolidated income statement of the PKO Bank Polski Group - quarterly



Bank Polski

Profit and loss account (PLN '000)	Q4'13 restated*	Q1'14	Q2'14	Q3'14	Q4'14	Q4'14/ Q4'13	Q4'14/ Q3'14
Net interest income	1 714 529	1 739 828	1 939 034	1 978 715	1 865 354	+8.8%	-5.7%
Net fee and commission income	814 792	705 415	783 614	726 761	717 716	-11.9%	-1.2%
Other income	646 811	102 932	227 737	185 711	173 747	-73.1%	-6.4%
Dividend income	-	-	6 091	315	105	x	-66.7%
Net income from financial instruments designated at fair value	19 952	13 223	39 740	20 447	1 778	-91.1%	-91.3%
Gains less losses from investment securities	2 706	6 639	31 907	33 338	78 166	+2788.6%	+134.5%
Net foreign exchange gains	99 460	48 639	86 782	66 386	33 990	-65.8%	-48.8%
Net other operating income and expense	524 693	34 431	63 217	65 225	59 708	-88.6%	-8.5%
Total income items	3 176 132	2 548 175	2 950 385	2 891 187	2 756 817	-13.2%	-4.6%
Net impairment allowance and write-offs	(683 199)	(413 458)	(557 683)	(475 209)	(452 320)	-33.8%	-4.8%
Administrative expenses	(1 281 446)	(1 125 760)	(1 342 754)	(1 337 200)	(1 439 427)	+12.3%	+7.6%
Share in net profit (losses) of associates and jointly controlled entities	1 450	(5 632)	12 945	15 948	8 549	+489.6%	-46.4%
Profit before income tax	1 212 937	1 003 325	1 062 893	1 094 726	873 619	-28.0%	-20.2%
Income tax expense	(275 831)	(204 344)	(213 262)	(220 838)	(153 303)	-44.4%	-30.6%
Net profit attributable to non-controlling shareholders	(1 212)	(3 593)	(5 923)	513	(2 303)	+90.0%	-548.9%
Net profit attributable to the parent company	938 318	802 574	855 554	873 375	722 619	-23.0%	-17.3%

*) Due to a change in the accounting principles applicable to recognition of insurance products related revenues and expenses, relevant data in respect of the previous periods have been restated to ensure comparability.

Consolidated statement of financial position of the PKO Bank Polski Group



Bank Polski

Assets (PLN '000)	31.12.13	31.03.14	30.06.14	30.09.14	31.12.14	Change y/y	Change q/q
Cash and balances with the Central Bank	7 246 120	9 556 020	9 910 908	8 636 840	11 738 371	+62.0%	+35.9%
Amounts due from other banks	1 893 441	5 000 037	2 470 074	3 153 197	2 486 686	+31.3%	-21.1%
Trading assets	479 881	1 489 421	1 184 220	2 928 152	1 924 426	+301.0%	-34.3%
Derivative financial instruments	3 000 860	2 747 203	3 385 895	4 539 493	5 494 822	+83.1%	+21.0%
Financial assets designated at fair value through P&L	15 204 756	9 421 323	16 058 563	15 002 777	15 723 148	+3.4%	+4.8%
Loans and advances to customers	149 623 262	149 660 865	177 993 959	178 333 300	179 497 384	+20.0%	+0.7%
Investment securities available for sale and securities held to maturity	14 111 083	17 005 788	21 872 268	22 703 448	22 512 583	+59.5%	-0.8%
Tangible fixed assets	2 611 233	2 696 413	2 778 061	2 762 259	2 653 555	+1.6%	-3.9%
Other assets	5 060 474	5 574 920	6 635 479	6 387 492	6 669 614	+31.8%	+4.4%
TOTAL ASSETS	199 231 110	203 151 990	242 289 427	244 446 958	248 700 589	+24.8%	+1.7%
Liabilities and equity (PLN '000)	31.12.13	31.03.14	30.06.14	30.09.14	31.12.14	Change y/y	Change q/q
Amounts due to the central bank	4 065	3 910	3 739	4 604	4 427	+8.9%	-3.8%
Amounts due to banks	3 747 337	4 370 969	19 239 394	19 771 512	19 394 482	+417.6%	-1.9%
Derivative financial instruments	3 328 211	3 080 688	3 567 160	4 450 053	5 545 141	+66.6%	+24.6%
Amounts due to customers	151 904 181	152 672 685	171 378 386	171 173 601	174 386 766	+14.8%	+1.9%
Liabilities of insurance activities	-	-	2 541 254	2 637 729	2 679 722	x	+1.6%
Debt securities in issue	10 546 446	12 693 982	12 699 201	12 974 373	13 300 610	+26.1%	+2.5%
Subordinated liabilities	1 620 857	1 603 540	2 624 548	2 378 835	2 413 985	+48.9%	+1.5%
Other liabilities	2 925 688	2 787 310	4 222 097	4 053 988	3 359 905	+14.8%	-17.1%
Total equity	25 154 325	25 938 906	26 013 648	27 002 263	27 615 551	+9.8%	+2.3%
TOTAL EQUITY AND LIABILITIES	199 231 110	203 151 990	242 289 427	244 446 958	248 700 589	+24.8%	+1.7%

Shares, rating and dividend policy



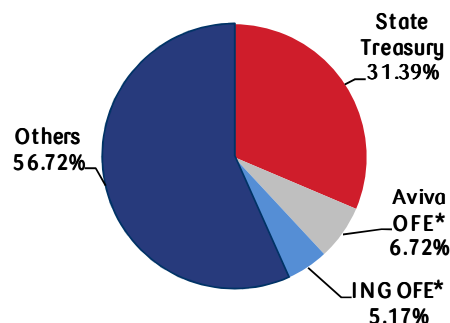
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Basic information on shares

- **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 4th 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
- To optimise the capital structure, taking into account the return on capital and its cost, capital needs for development, while ensuring appropriate capital adequacy levels
- To recommend in the future the payment of dividend in amounts 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	Outlook
Moody's	A2	P-1	C-	Negative
Standard&Poor's	A-	A-2		Negative

Dividend

Payment from the net profit of the year	DPS (PLN)	Dividend yield (Div. Day)	Payout ratio
2013	0.75	1.9%	31.65%
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%

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Investor's calendar:

11 May 2015	Publication of the Quarterly 1Q 2015 Report
10 August 2015	Publication of the 1H 2014 Report
9 November 2015	Publication of the Quarterly 3Q 2015 Report
7 March 2016	Publication of the 2015 Annual Report