



Bank Polski

Dear Shareholders,

it gives me enormous pleasure to present a financial statement for 2016 of PKO Bank Polski. The statement proves that once again we strengthened our position of unquestionable leader in Polish banking, generating substantial profits and simultaneously taking care of building secure foundations for the future development.

Scale of the activity of the Group, expressed in a sum of assets, increased in 2016 by 7 per cent to 285,6 billion zloty, of which more than 200 billion includes loans granted to the clients. At the same time, quality of a loan portfolio, measured by an indicator of loans with recognized impairment which declined from 6,6 per cent in the previous year to 5,9 per cent in 2016, improved. Moreover, we increased the number of our clients to 9,2 million, that is by more than 200 thousand, maintaining our leading position both in the credit and deposit market, with shares of 17,8 and 17,3 per cent accordingly.

As the interest rates were historically low and we managed to keep strong cost discipline, the consolidated net profit increased to 2,87 billion zloty and the Group maintained a secure and effective balance structure. Ratio between loans and stable sources of founding amounted to 83,7 per cent, while total capital ratio amounted to 15,81 per cent, which creates solid foundations for further lending development. Indicators of performance measured by a return on equity and assets improved as well.

In 2016 we worked out a new strategy of the Bank, defining development objectives until 2020. Its motto "We Support the Growth of Poland and the Poles" materializes every day both in current client service and numerous long-term projects which are a part of economic development strategy in Poland. A core direction of a change in our business model is determined by social life digitization and its consequences for our clients and the whole Polish economy.

Investments in innovative solutions and creating new standards in the market, cooperation with public institutions in the framework of e-state solutions and counteracting cyber threats are included in main directions of our business strategy.

Focusing on the needs and expectations of our clients, in 2016 we continued intensive development of products and electronic channels, including our flag application IKO. Its new functionalities and facilitations of use of our services resulted in a transition from a payment application to the development stage which may be deemed "a bank in a phone". Its numerous advantages and further development potential are proven by the fact that as many as more than million people have activated IKO on their mobile devices.

As the most digital bank in the market, we are also involved in the projects which substantially increase the scale of public services digitization. PKO Bank Polski provided its clients with an option of submitting requests for parental benefit from the 500+ programme via electronic banking iPKO. As early as during the first three months, more than 300,000 Polish families, that is every third family submitting such a request online, exercised this option. In cooperation with Social Insurance Institution (ZUS), we provided an access to PUE ZUS and an option of simple, quick and secure signing in a Trusted Profile in the same channel. Thanks to that, when our clients log in to iPKO, they have an access not only to the offer of the Bank, but also to a wider and wider offer of public administration services at any place and at any time whenever they need them.

In recognition of potential of innovative solutions developed by Polish scientists and young entrepreneurs, the Bank actively cooperates with and supports the community of Polish start-ups. Last year we were involved in, among others, Startup Weekend Warsaw and Acceleration Programme MIT Enterprise Forum Poland. The next stage of development of cooperation with that community is an acquisition of a digital company ZenCard at the beginning of 2017 which offers a platform for creating loyalty programmes for sales networks, shops and service points. Thus, we became the first Polish bank which invested directly in a fintech solution.

As we take care of a stable organic development of individual companies of the Group, we strengthen their market position by way of takeovers and mergers as well. In December, PKO Leasing successfully finalized an acquisition of a company Raiffeisen Leasing Polska from its Austrian owner, thus becoming a main lessor in Poland having a market share of more than 13 per cent. The companies with which the Bank is going to merge in the second quarter of 2017 have complementary business models. Thanks to that transaction, we will be able to provide even more comprehensive offer for a segment of small and medium-sized enterprises, substantially increasing the scale of financing for Polish companies.

Furthermore, we support the expansion of our national companies abroad by way of offering a wide range of international banking products and getting ready for launch of next corporate branch offices abroad, following Frankfurt am Main. In 2016 we were finalizing formal and legal path to opening our establishment in Prague which is to be launched in terms of operation at the beginning of the second quarter of 2017.

The offer and numerous initiatives undertaken by the Bank are appreciated by other participants in the financial market and clients. They have been confirmed by numerous awards for, among others, innovative products and services, excellent client service quality and financial performance. An expression of trust in PKO Bank Polski is also a constant increase in brand value which is appraised at more than 3.6 billion zloty and is the most valuable brand in the Polish financial sector.

I would like to express my gratitude to our Clients – for their trust in the Bank, to our Shareholders – for their support for our decisions, and to our Employees – for their great commitment and professionalism being a main driver of our successes and a guarantee of their continuation in the future. All initiatives undertaken last year and their results have proven once again that PKO Bank Polski is a solid and far-reaching bank, capable of meeting challenges of the upcoming years, supporting our clients and domestic economy.

Zbigniew Jagiełło

President of the Management Board

PKO Bank Polski