



Bank Polski

Ladies and Gentlemen,

*“May you live in interesting times”* is an ancient Chinese curse we are all well familiar with. The adage easily applies to the increasingly complex conditions under which we have been managing the banking business. The financial crisis, now spanning nearly five years, has had an adverse macroeconomic impact; through the long term economic downturn experienced locally as well as in the European and global dimension. Equally, year after year the banking business is ever more strongly conditioned by: a growing body of regulation; fast-changing customer preferences; and competitive pressure from non-financial sector entities. Faced with the sum total of those factors, banks are motivated to question hard their capacity for continued generation of high rates of return on equity and to reformulate their business models.

It is in such times of mutability and turbulence that the value of stability and predictability appreciates considerably. This is why I take special pride in presenting to you the Consolidated Financial Statements the PKO Bank Polski Group in respect of the year 2012, which demonstrate once again the bank as the biggest financial institution in Poland and the CEE region as it generated the highest earnings while maintaining high management effectiveness ratios and prudential standards ensuring safety and soundness.

This summary of the year 2012 results coincides with completion and assessment of the “Leader” strategy adopted for the years 2010-2012. It is through the engagement of the employees, the unit managers, the Supervisory Board and the Management Board – all who invested their faith in the success of PKO Bank Polski three years ago and who filled that period with hard and systematic work – that we successfully achieved the key objectives of that strategy and affirmed the position of leadership in the Polish banking sector.

The consolidated financial result PKO Bank Polski achieved for the year 2012 was of the expected high level. The Group ended 2012 with profit of PLN 3.75 billion, meaning that in spite of the harsh external conditions we were successful in maintaining it at a level only slightly below the historic best: that in respect of the year 2011. This also means that the three years of effective implementation of the strategy resulted in a more than 63-percent rise in profit as compared to that for the year 2009. The effectiveness ratios also improved over the period. ROE and ROA, as at the end of 2012, stood at 15.9 per cent. and 2 per cent. respectively; representing increase by 1.1 percentage points and 0.4 percentage points respectively over the strategic horizon. The cost to income ratio over the period declined by 8 percentage points to reach 39.9 per cent., a level unachievable for most domestic and European financial institutions.

Balance sheet total of the PKO Bank Polski Group reached PLN 193.5 billion representing growth of 1.4 per cent. in YoY terms and of 23.6 per cent. compared to the year 2009. Under condition of business expansion we have maintained capital adequacy and liquidity ratios at prudent levels. As at the end of 2012, capital adequacy ratio of the PKO Bank Polski Group stood at 13.1 per cent., thus clearly exceeding the safety level set out by the market regulator.

The positive effects accruing from implementation of the development strategy are not limited to the basic financial results discussed above. Equally important have been the improved perception of PKO Bank Polski – now viewed as a showcase of the Polish banking sector – and the gained trust of international investors and rating agencies. Of great value – particularly in terms of our growth prospects – are the less evident changes which have occurred inside the organisation. As I assumed my responsibilities of managing this biggest of Polish banks in 2009, I took up a challenge of changing the institution's very DNA: of transforming a rather conventional bank into a modern institution, which still respects its longstanding tradition, yet shows capability in facing the challenges of the modern times and successfully meets the expectations of its diverse customer and client groups. I am satisfied to be able to report to you responsibly that such a transformation is actually taking place.

The bank's modernised image expresses these changes in symbolic terms. The refreshed logotype is both deeply embedded in our century long history as well as being truly modern. This philosophy of filling the traditional with the modern informs a broader set of changes aimed at increasing satisfaction of our customers and clients, employees and shareholders. The widely recognised old SKO sub-brand now stands for a modern financial education programme engaging hundreds of thousands of children while the thoroughly reconfigured portfolio of financial products is competing successfully in a challengingly demanding market; the bank is attractive for the newly defined and highly differentiated customer and client groups. We have put into motion a branch modernisation programme that will help us readjust our branch network to the requirements of the multichannel banking of the future and specific realities of local micro-markets. We have also began investing into new and innovative technologies: our proprietary mobile payments solution will not only represent a unique proposition for the Polish market, but also has realistic chances for becoming a regional market standard. We have systematically improved our customer service. Though much still remains to be done, we are rapidly catching up with the best in the class; quality of the remote channel customer service already deserving the highest praise.

The scope and scale of the changes taking place in the organisation required internal systemic support. For the first time in its history the bank has a comprehensive employee and management team assessment and competence development system in place. In the process of changing our corporate culture, we promote creativity, deregulate and streamline procedures. As we do with our customers and clients, we have also opened up to new and enterprising employees; to people who can help us to continue changing the bank from the inside, and to deepen that process of persistent modernisation.

Persisting as we do with the commenced initiatives, we are set the course for the development of PKO Bank Polski into the future. Before us are demanding times, in which the success will come as a result of consistency combined with the skill of flexible adaptation to the ever more intensively changing external conditions. PKO Bank Polski is today the Polish banking sector's undisputed leader. Such a position constitutes an obligation and a challenge for the future. We intend to further solidify it as we focus on sustainable development, aiming to deliver satisfaction and expected results and benefits to our shareholders, clients, business partners, local communities and employees. As I observe the growing enthusiasm of the latter, I am convinced that PKO Bank Polski will fare well in these ever more *interesting times*.

Zbigniew Jagiełło

President of the Management Board PKO Bank Polski