

BANKING MARKET IN POLAND 2008-2010

CEE BANKING SERIES



SAMPLE

by Intelace Research
April 2008

REPORT ORDER FORM



We order following report:

Banking Market in Poland 2008-2010 – CEE Banking series

Report features and delivery options:

Publication date: April 2008

Number of pages: 118

Language: English

Delivery: Acrobat /pdf/ file delivered by email + copy on CD sent by traditional mail

Cena/Price:

• 3200 EUR + 22% VAT*

20% discount – only for revolving customers
(Please tick if applicable)

Customer details: (Will be used for issuing of invoice)

Full company name	
Authorized person	
Address line 1	
Address line 2	
City & Zip/Postal Area Code	
Country	
Phone/Fax	
Email address /for delivery/	
EU – VAT ID* / NIP	

Our contact details:

Intelace Research
Stryjenskich 13c
02-791 Warszawa, POLAND

Tel. +48502512178, Fax. +48223492140

email: info@intelace.com
website: www.intelace.com

EU VAT ID: PL-1230807095
Local company registry (REGON) ID:
140235909

Bank: BRE Bank, Mickiewicza 10,
90-050 Lodz, Poland

Account: IBAN:
PL 94 11402004 0000310239534011
BIC/SWIFT: BREXPLPWMUL

* VAT tax is typically charged to our customers from Poland only. However, customers from the EU area need to provide us with their valid EU VAT Id number, that is mandatory condition for the tax exemption.

Please tick here if you do not wish your company name or corporate logo to be listed among clients of Intelace Research on Intelace.com website

Place and Date:

Signature of authorized person confirming the order:

PLEASE RETURN THIS FORM SIGNED BY FAX TO: +48 22 349 2140 or scan and email to: info@intelace.com

TABLE OF CONTENT (1/4)

1. Macroeconomic overview

- Slide 1: Executive summary
- Slide 2: Poland - General overview
- Slide 3: Key macroeconomic indicators, 2000-2007
- Slide 4: Foreign trade statistics, C/A balance, FDIs, 2000-2007
- Slide 5: Yield curves, 2001-2007
- Slide 6: Warsaw Stock Exchange - Turnover, Market cap and indexes, 2000-2007
- Slide 7: Unemployment and wages, 2000-2007
- Slide 8: Disposable income in households and income distribution, 2000-2007
- Slide 9: Consumer confidence Index evolution, 2005-2008

2. Banking market

2.1. Banking market - General trends

- Slide 10: CEE banking markets: Size vs. growth matrix, 2005-2007
- Slide 11: CEE banking penetration benchmarks - International comparison, 2007
- Slide 12: Structure of the Polish Banking System, 2007
- Slide 13: Polish Banking System ERA analysis, 1989-2007
- Slide 14: Evolution of banking assets by ownership, 1993-2007
- Slide 15: Top foreign investors on the Polish banking market, 2007
- Slide 16: Banking assets evolution (LCU, EUR), 2000-2007
- Slide 17: Banking assets evolution (in EUR) by group of banks, 2000-2007
- Slide 18: Top 12 commercial banks, market shares, ownership, 2007
- Slide 19: Concentration of the banking market (Assets, Branches, ATMs, HH Index), 2006/2007
- Slide 20: Deposits by customer segment evolution, 2003-2007
- Slide 21: Loans by customer segment evolution, 2003-2007
- Slide 22: Non-performing loans evolution and ratios by type of customer, 2000-2007Q3

2.2. Banking market - Regulatory overview

- Slide 23: Regulatory overview: Regulatory bodies on the Polish banking market
- Slide 24: BFG - Deposit Insurance Fund
- Slide 25: BIK - Credit information Office
- Slide 26: Central Bank mandatory reserve policy, 2000-2008
- Slide 27: Regulatory initiatives: Anti-usury law, FX-denominated mortgage
- Slide 28: Basel II/CRD implementation status

SAMPLE

TABLE OF CONTENT (2/4)

2.3. Banking market - Banking Infrastructure

- Slide 29: Bank outlets by group of banks, 2004-2007Q3
- Slide 30: Bank outlets development plans of major banks, 2007-2008/2009Q1
- Slide 31: Employment in commercial banks sector, bank assets per employee evolution, 2000-2007
- Slide 32: Direct employee costs evolution, 2005-2007
- Slide 33: ATM number and transaction value evolution, ATM players
- Slide 34: POS number and transaction value evolution, POS players

3. Retail banking

- Slide 35: Account penetration in Poland vs. other countries, 2004/2007
- Slide 36: Retail banking clients by segment - pyramid (mass market, affluent, personal and private banking), 2007
- Slide 37: New retail clients at top banks, 2004-2007, New clients up to 2020
- Slide 38: Households deposits by sub-segments and cash evolution, 2003-2007
- Slide 39: Households loans by sub-segments evolution, 2003-2007
- Slide 40: TOP banks serving households sector, market shares, 2007
- Slide 41: Deposits of private individuals, structure by currency, 2003-2007
- Slide 42: Deposits of private individuals, structure by maturity, 2003-2007
- Slide 43: Investment funds assets evolution, domestic and foreign funds, 2003-2007
- Slide 44: Investment funds market shares - Top 10 players, 2007
- Slide 45: Personal Financial Assets (PFA) structure and evolution, 2005-2007
- Slide 46: Loans to private individuals by type evolution, 2003-2007
- Slide 47: Mortgage to private individuals by currency evolution, 2003-2007
- Slide 48: Installment loans market, 2003-2007
- Slide 49: Car loans market, 2005-2007
- Slide 50: Financial intermediaries and their segmentation, 2007
- Slide 51: Major intermediaries by value of loans sold, 2007
- Slide 52: Total number and value of loans and funds sold by major intermediaries, 2007H1
- Slide 53: Specialized/exclusive loan distribution networks, 2007
- Slide 54: Perspectives for financial intermediaries
- Slide 55: Use of direct channels by cash loan providers, 2007
- Slide 56: Internet and PC penetration in Polish households and in corporate sector, shopping online, 2007
- Slide 57: Current accounts at major banks, internet access penetration, 2007
- Slide 58: Online Banking - mBank case
- Slide 59: Direct Cash loans distribution – Sygma Bank & halogotówka case
- Slide 60: Online Banking - new entrants: ING and Citibank and perspectives for standalone internet projects
- Slide 61: Bill payments market structure, 2007

SAMPLE

TABLE OF CONTENT (3/4)

3.1. Payment cards

- Slide 62: Cards issued by card type, 2004-2007
- Slide 63: Card transactions by channel, share of cash transactions, 2004-2007
- Slide 64: Credit card transactions , values, volumes, per card evolution, 2004-2007
- Slide 65: Top players in credit cards business, co-branding partners, 2007

4. Corporate banking

- Slide 66: Corporate subjects, number and revenues, 2004/2006
- Slide 67: Corporate deposits and loans evolution, 2003-2007
- Slide 68: Top players on the corporate banking market, 2007
- Slide 69: Brokerage business, top players, 2003-2007
- Slide 70: Leasing market, structure by industry, top players, 2003-2007
- Slide 71: Non-treasury debt securities market, 2003-2007

5. Banks profitability

- Slide 72: Average retail and corporate banking rates offered and implied margins evolution, 2005-2008
- Slide 73: Commercial banks revenue costs and profits composition, 2007
- Slide 74: Commercial banks profitability tree – market averages evolution, 2004-2007
- Slide 75: Top 5 commercial banks profitability tree – peers comparison, 2007
- Slide 76: Segment reporting (1/2): volumes, revenues and profit by segment (retail, corporate, other), 2007
- Slide 77: Segment reporting (2/2): volumes, revenues and profit by segment (retail, corporate, other), 2007

6. Banks valuation and M&A activity

- Slide 78: Strategic control map for major listed banks in Poland, 2008Q1
- Slide 79: Market multiples for major listed banks in Poland, 2008Q1
- Slide 80: Efficiency of top banks in Poland - Cost to income, Assets/Personnel/Branches benchmarks, 2007
- Slide 81: Share price performance on the stock market for key listed banks in Poland, 2007-2008Q1
- Slide 82: Recent M&A transactions on the Polish banking market, P/BV multiples
- Slide 83: Expected new banking start-ups, M&A activity and expansion for 2008-2009
- Slide 84: Success in greenfield entry – Polbank EFG case

SAMPLE

TABLE OF CONTENT (4/4)

7. Top banks profiles

- Slide 85-86: Bank profiles: Bank Pekao
- Slide 87-88: Bank profiles: PKO Bank Polski
- Slide 89-90: Bank profiles: ING Bank Śląski
- Slide 91-92: Bank profiles: BRE Bank
- Slide 93-94: Bank profiles: BZ WBK

8. Mid-term forecasts

- Slide 95: Banking assets forecast, 2008-2010
- Slide 96: Key retail volumes forecast, 2008-2010
- Slide 97: Key corporate volumes forecast, 2008-2010
- Slide 98: Profitability of commercial banks forecast for 2008 – Central scenario

9. Note on methodology

SAMPLE

EXECUTIVE SUMMARY – BANKING MARKET IN POLAND: 2007/2008

- **Another successful year.** Banking sector in Poland enjoyed dynamic growth in 2007. Both client loans and deposits increased substantially recording annual change of 29% and 14% respectively vs. 2006. At the same time average interest margins barely changed, being supported by rising money market rates. As a result, the combined profit of commercial banks increased sharply by 29% to PLN 13 bn (EUR 3.4 bn). Key profitability ratios of commercial banks significantly improved vs. 2006: ROAA rose to 1.88% while ROAE exceeded 18.5% and CI ratio fell down to 55.4%
- **Competitive landscape & new players.** The recently closed merger of Pekao/BPH produced a new market leader. Bank Pekao, a UniCredit subsidiary is controlling today ~16% banking assets and is a clear corporate banking leader (27% market share). On the other end more and more new players emerge on the market willing to build their own operations in Poland. Recent history shows that even a greenfield project may turn into success provided the business model is right and a highly motivated management team is there (case Polbank EFG). At present there are a few new big banking projects under development: Allianz Bank, Alior/C.Tassara and BWE/Innova. Apart of them there is also a group of other players (mostly from: UK, Iberia and Scandinavia) looking at possible acquisition targets / growth options in Poland
- **Expansion of infrastructure.** Since 2005 most banks expanded their physical distribution networks. Despite increasing role of remote channels, building a physical network is still the key for growth in Poland. Banks are increasingly penetrating middle-size cities and smaller markets with cost efficient franchising agency/concepts. If adding current development plans of banks, ~1600 new outlets could be opened during next year through Q4 2009 (+16% growth vs.12/2007). Also the payment infrastructure is likely to accelerate in response to positive trends in retail trade and services. Current POS and ATM penetration benchmarks for Poland vs. Europe show a big gap and suggest a substantial growth potential
- **Good perspectives.** Despite worsening global economic climate, the Polish banking sector is likely to keep performing well in the mid-term perspective. Both client deposits and loans are expected to grow following the improving situation of households and excellent performance of corporate sector. Interest margins are likely to remain on the current (high) level, at least until the Monetary Policy Council (RPP) keeps raising interest rates. The major threat is on the cost side. Growing infrastructure and employment together with substantial pay and rental cost increases are very likely to affect banks profitability
- **Mid-term forecast.** Intelace Research expects that banking assets will keep growing at 13% p.a. through 2010. Considering increasing revenues, mounting costs and slowing F&C income it can be expected that the overall profitability measures: ROE and CIR can slightly worsen in 2008

POLISH ECONOMY KEEPS GROWING. GDP PER CAPITA REACHED HIGHEST LEVEL IN RECENT HISTORY OF THE COUNTRY



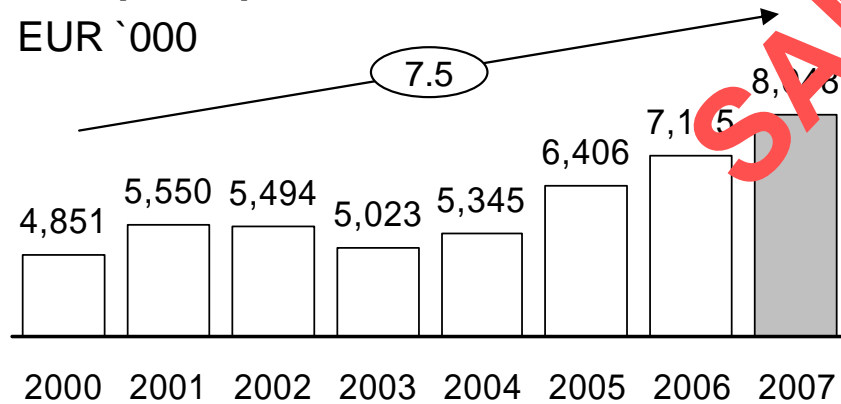
GDP real growth rate
%



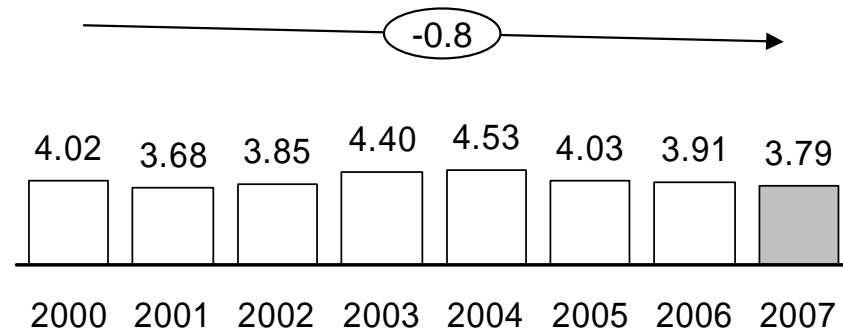
Average Inflation
%



GDP per capita
EUR `000



Average exchange rate
EUR/PLN

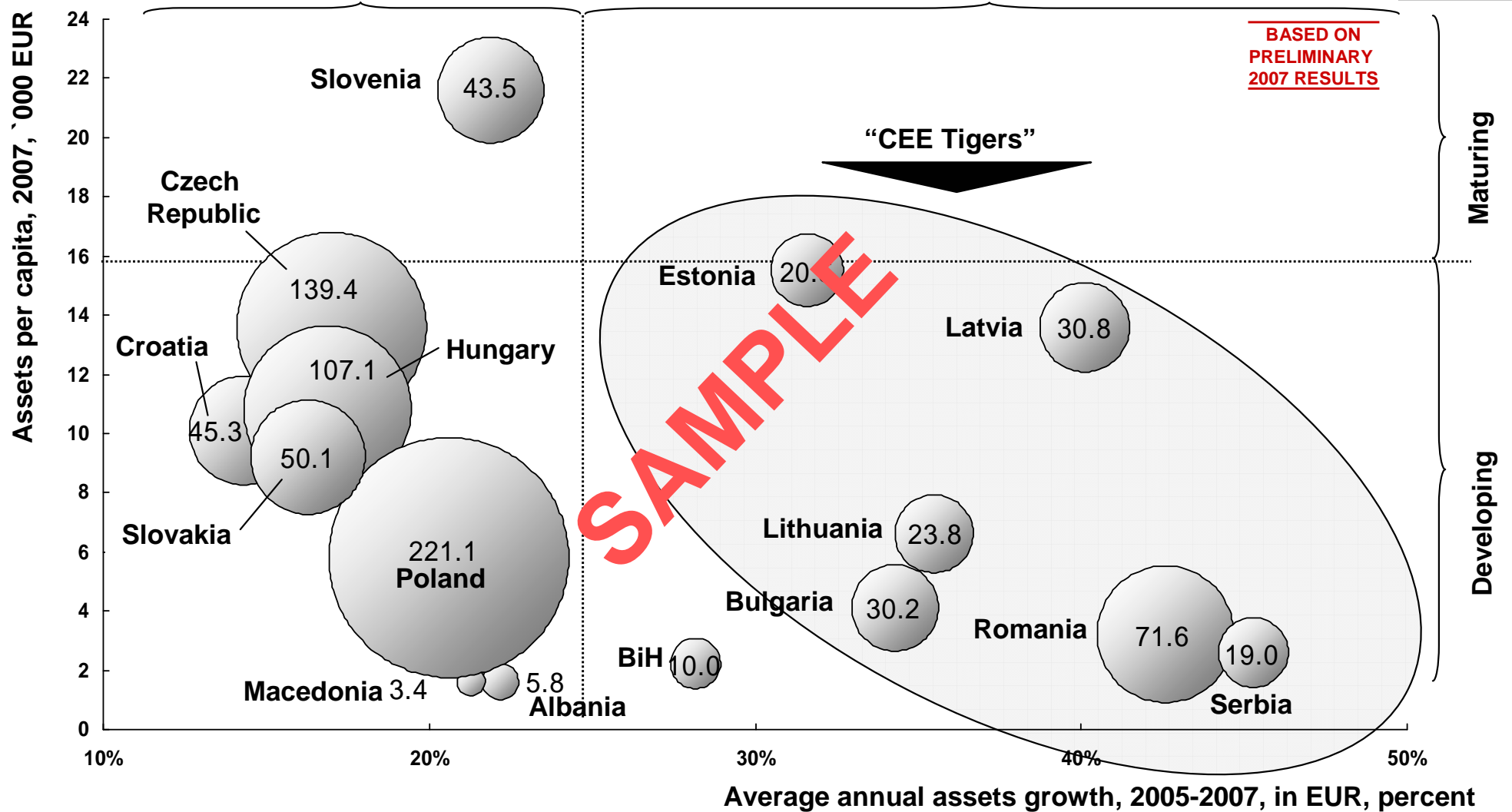


Banking Market in Poland 2008

POLAND HAS THE LARGEST BANKING MARKET IN THE REGION

CEE15* banking markets - Size vs. growth matrix, 2005-2007

Total banking assets, in billion EUR
 (x.x)



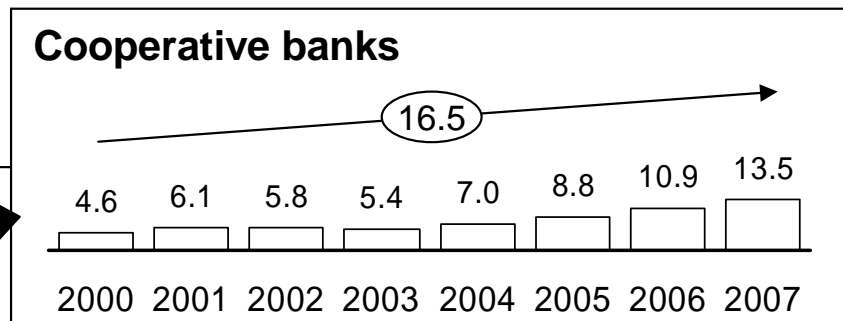
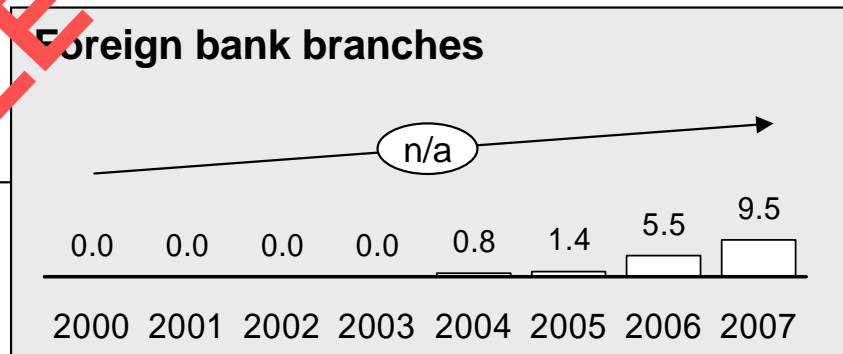
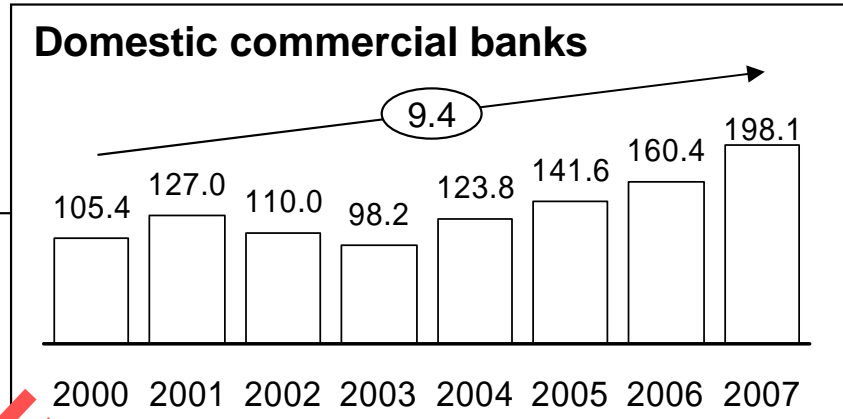
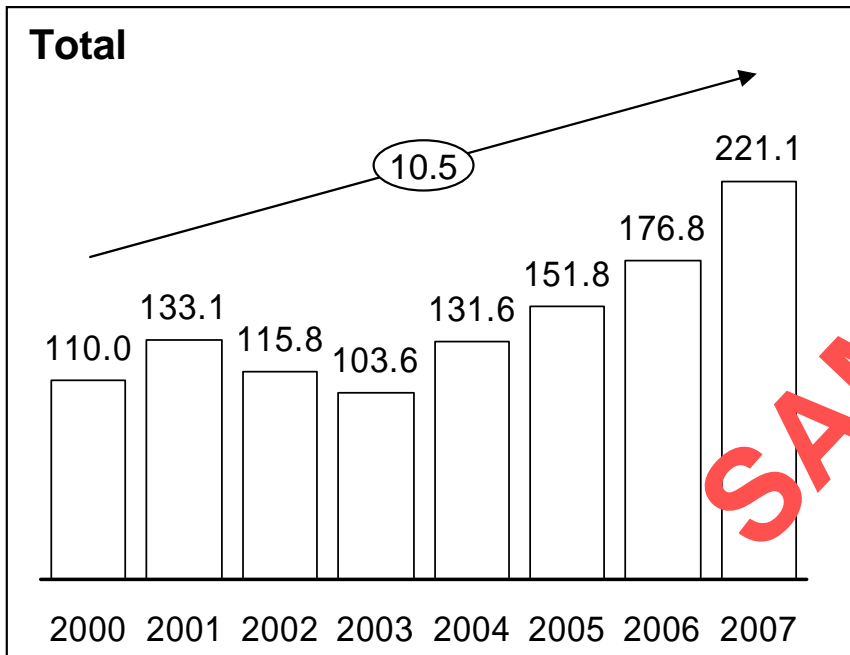
* Major 15 CEE countries. Russia, Ukraine and Belarus not included

Source: Central banks, IMF, Intelace Research

DOMESTIC BANKS CONTRIBUTE MOST TO THE ASSETS GROWTH BUT FOREIGN BANK BRANCHES AND COOP BANKS ARE MORE DYNAMIC

CAGR*

Banking assets by group of banks, 2000-2007
EUR billion



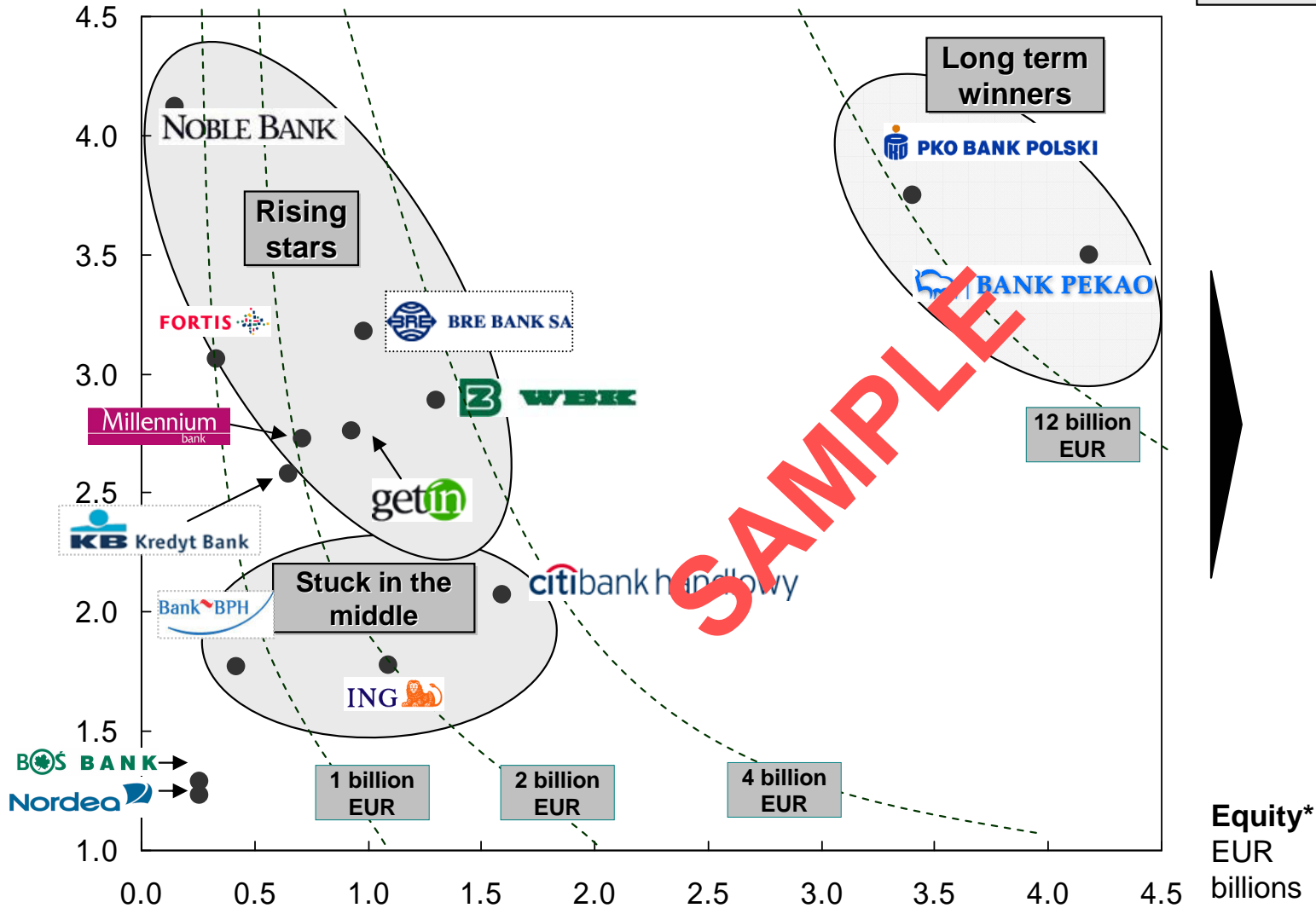
EU-transfers flowing to rural areas boost cooperative banks assets

Banking Market in Poland 2008

SAMPLE

STRATEGIC CONTROL MAP – MAJOR LISTED BANKS IN POLAND AS OF MARCH 2008

Market to book*



- After the split of BPH two clear leaders remained on the battlefield
- Noble bank, BRE, BZ WBK, Getin enjoy high valuations thanks to very quick growth and good perspectives
- Citibank, ING, BPH low valuation ratios suggest limited growth expectations

Banking Market in Poland 2008

* Based on consolidated results for 2007, ratios as of March, 2008
 Source: banks, press, Intelace Research

THE EVIDENT SUCCESS OF GREENFIELD ENTRY BY POLBANK EFG IS ENCOURAGING NEW PLAYERS TO REPLICATE IT

History & Background

Timeline

- Mar. 2005: EFG Eurobank takes part in sales tender of Wrocław-based "Eurobank", but is finally outbid by Société Générale
- Determined to enter the Polish market EFG Eurobank decides for greenfield project and launches operations under "Polbank EFG" brand in early 2006
- May 2006: Innovative image advertising campaign with bank employees starring
- Sept. 2006: New mortgage loan introduced
- May 2007: High-yield saving account launched
- Jun 2007: Improved e-banking interface available
- Jul. 2007: Network reaches 200 outlets
- Sept. 2007: Investment funds on offer
- Oct. 2007: New SME lending facility campaign launched
- March 2008: Structured deposit on offer

Channels

- 272 outlets in 124 locations as of March 2008
- Network expansion to be continued



Concept Description

Target Clients

- Upper mass and affluent individuals
- Professionals
- SMEs

Products

Transparent portfolio of selected powerful products:

- Current account linked to high yield saving account with market best interest rate
- Flexible installment/cash loan
- Competitive mortgage offer
- Credit card protection on spot
- Simplified SME lending facility, etc...

Competitive advantages and Key Success Factors

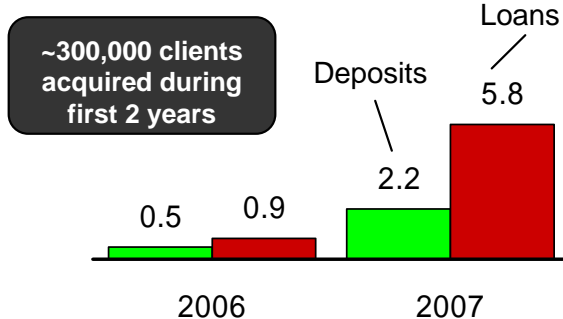
- Team of talented and highly motivated managers acquired from leading banks and other institutions
- Innovative products, well structured and transparent product portfolio
- Remarkable marketing campaigns
- Countrywide branch network, attractive locations and appealing branch layout

Results

Deposits & Loans

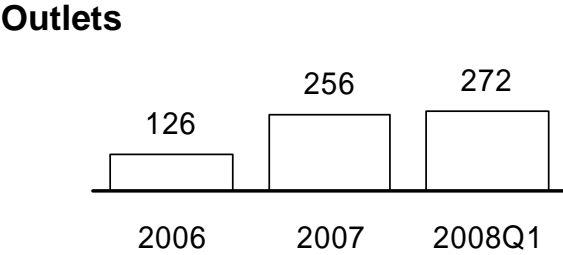
PLN billion

~300,000 clients acquired during first 2 years



Year	Deposits (PLN billion)	Loans (PLN billion)
2006	0.5	2.2
2007	0.9	5.8

Outlets

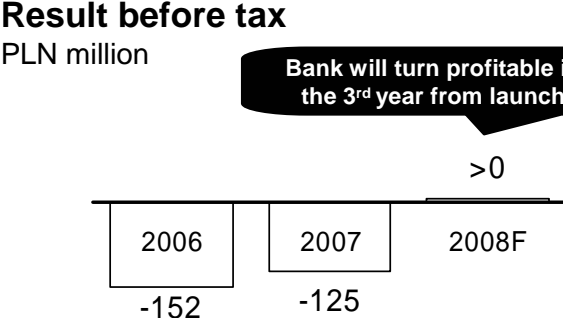


Year	Outlets
2006	126
2007	256
2008Q1	272

Result before tax

PLN million

Bank will turn profitable in the 3rd year from launch



Year	Result before tax (PLN million)
2006	-152
2007	-125
2008F	>0

Banking Market in Poland 2008

General Data

About the bank

- PKO BP, today the 2nd largest bank in Poland is traditionally specialized in serving mass retail customers including micro-enterprises
- The previously almost monopolistic position of PKO on retail market, supported by dense distribution network and loyal customer base are gradually eroding.

Timeline

- 1919/1920 PKO set up as a postal savings bank. Bank quickly became the leader in retail services with ~ 3,5 million individual saving books holders
- 1950-1987 PKO as a state owned bank (since 1975 a part of the Central bank) collected retail deposits
- 1992-2000 Transformation and restructuring process including capital injections from the Treasury
- 2002 Acquisition of #2 Internet bank "Inteligo"
- 2004 IPO on the Warsaw SE; Acquisition of minority stake in Postal Bank
- 2005/2006 A new centralized IT system implemented
- 2007 Bank opens its first outlet in the UK
- 2008 Negotiations about strategic partnership with PZU in progress

Shareholders

percent



Concept Description

Clients

- As of Dec. 2007, bank served ~5.5 million retail current accounts (ROR) via PKO branches and 0.66 million accounts via Inteligo online bank
- Mass retail segment dominate; Clients on average slightly less demanding and less advanced than country average; Client preferring personal service over remote channels even if waiting a queue is the price; Quite reluctant to use payment instruments and remote channels

Products

- Broad retail offering. Well developed lending products with a mix of cash, installment and award winning mortgage loans. Mortgage offering driving strongly new loans volume growth.
- Deposit products currently being revised in order to keep up with the competition. High yield deposit and insurance accounts introduced in 2008 to prevent funds outflow.
- Distribution of treasury bonds (exclusive rights)
- Investment funds offered by subsidiary: PKO TFI
- Dedicated packages for SME segment including a quick overdraft; Less advanced offer to corporate clients

Channels

- 1150 retail branches and 2240 agencies creating the largest retail banking infrastructure in the country. Smaller towns and remote areas are very well covered
- 83 corporate outlets,
- One branch in London
- Over 2100 own ATMs
- Internet access via iPKO interface
- Separate online bank: Inteligo

FOR MORE PLEASE VISIT

<http://www.intelace.com/publications.html>

About this report

This report has been prepared using Intelace Research proprietary research and publicly available sources including: financial reports, press publications, industry magazines, directories, financial databases and expert opinions.

Views presented in this report reflect solely independent and unbiased opinion of Intelace Research and the author.

All due care has been taken in the production of this report, however Intelace Research does not accept any responsibility or liability for any omissions or inaccuracies of the information contained in this publication.

This report is copyrighted. Any distribution, storage, replication and usage is restricted to Intelace Research clients only. In case of any doubt please contact us at: info@intelace.com

About Intelace Research

Intelace Research is an independent and privately owned research firm based in the heart of Eastern Europe in Warsaw / Poland.

Our company is specializing in value-added research services and tailored business intelligence solutions.

Through our customized research services we help our clients to better understand their consumers, competitors and overall market dynamics.

The lead researcher and founder of Intelace Research is Marcin Mazurek.

Our contact details:
Intelace Research
Stryjenskich 13c/78,
02-791 Warszawa, Poland
Tel. +48 22 408 66 20,
Tel. +48 502 512 178
Fax. +48 22 349 21 40
mail: info@intelace.com url: www.intelace.com

Banks & other institutions mentioned in this report

Narodowy Bank Polski NBP
 PKO Powszechna Kasa Oszczędności Bank Polski SA
 Bank Handlowy w Warszawie SA Citibank
 ING Bank Śląski SA
 Bank BPH S.A.
 Bank Zachodni WBK SA BZWBK
 Bank Gospodarstwa Krajowego BGK
 BRE Bank SA
 Bank Millennium SA
 Bank Polska Kasa Opieki SA Pekao
 HSBC Bank Polska SA
 Bank Współpracy Europejskiej S.A. BWE
 Bank Pocztowy SA
 NORDEA BANK POLSKA SA
 NOBLE Bank S.A.
 Euro Bank S.A.
 Kredyt Bank SA
 Bank Ochrony Środowiska SA
 Getin Bank SA
 FORTIS BANK POLSKA SA
 ABN AMRO BANK (Polska) SA
 INVEST - BANK SA
 DOMINET BANK S.A.
 GE Money Bank SA
 Raiffeisen Bank Polska SA
 Calyon Bank Polska S.A.
 Societe Generale SA Oddział w Polsce
 Deutsche Bank Polska SA
 BPH Bank Hipoteczny SA
 Deutsche Bank PBC S.A.
 LUKAS Bank SA
 AIG Bank Polska S.A.
 Rabobank Polska SA
 Bank Gospodarki Żywnościowej SA BGŻ
 Santander Consumer Bank S.A.
 Bank DnB NORD Polska SA
 Cetelem Bank SA
 Sygma Banque Societe Anonyme (SA) Oddział w Polsce
 EFG Eurobank Ergasias S.A. SA Oddział w Polsce

UniCredit
 Commerzbank
 Allied Irish Bank
 KBC
 la Caixa
 Alior Polska
 Carlo Tassara
 Allianz Bank
 Innova Capital
 mbank
 Multibank
 PZU
 BIK
 BFG
 KNF