



**BANK
PEKAO SA**

FINANCIAL RESULTS IN FIRST HALF 2002

PRESENTATION FOR INVESTORS AND ANALYSTS

London, August 6th, 2002

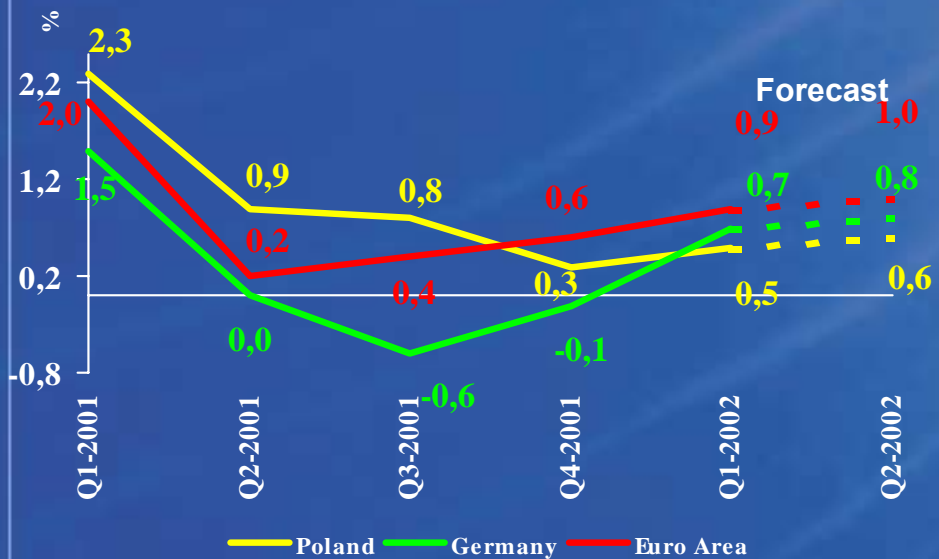
Financial results in IH 2002

	IH 2001	IH 2002	Change
Operating income (PLN mil.)	1 027.5	1 208.6	+ 17.6%
Net income (PLN mil.)	555.5	181.8	- 67.3%
ROE (%)	19.3	5.4	- 13.9 p.p.
Cost/Income (%)	51.5	45.9	- 5.6 p.p.
CAR (%)	14.8	14.8	0.0 p.p.

Macroeconomic environment

Macroeconomic environment

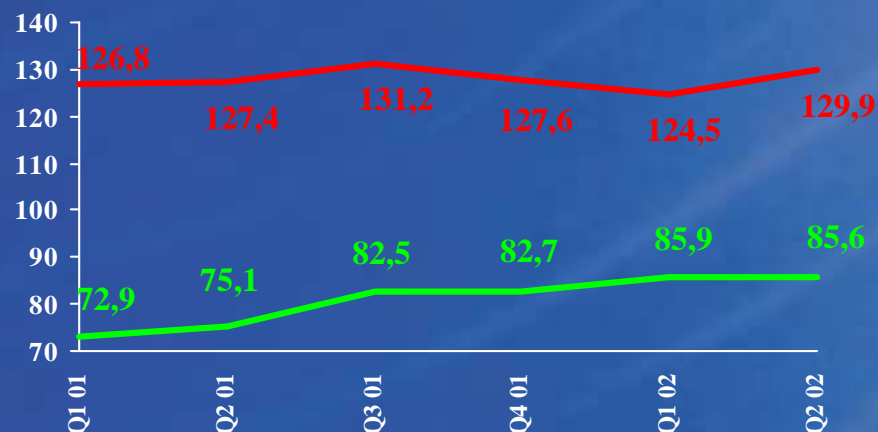
GDP growth in Poland, Germany and Euro Area in 2001-2002



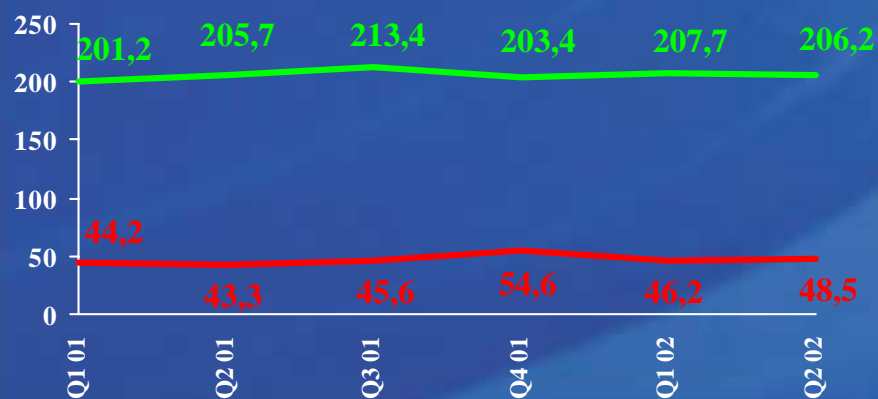
Still weak economic growth in Poland and in Poland's main foreign trade partners

Macroeconomic environment

Volumes of credit to private households and corporate in Polish banking sector



Volumes of deposit to private households and corporate in Polish banking sector



— Households — Corporate

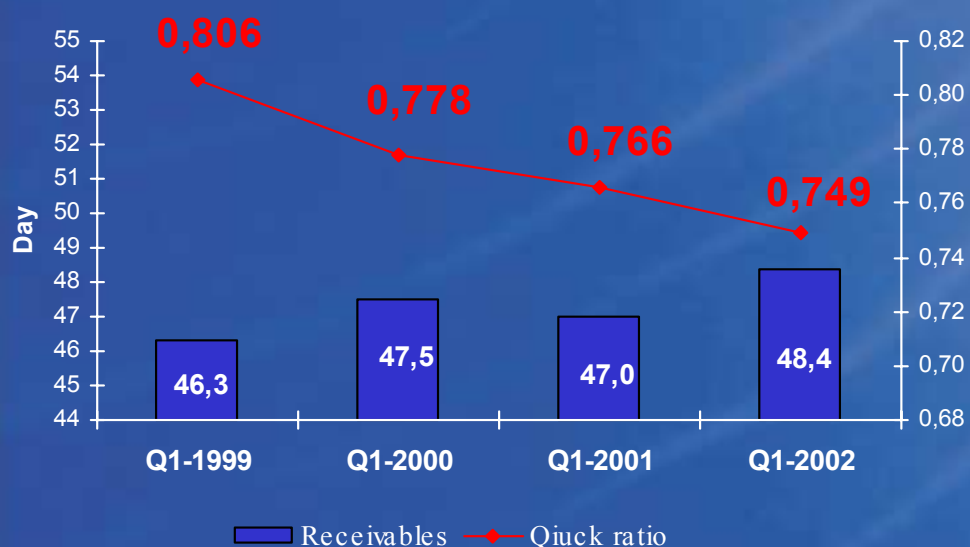
□ Flat tendencies in growth of banking sector volumes

□ Between Q2-2001 and Q2-2002 corporate credit volume rose by 2.5 billion PLN (only 2%)

□ Between Q2-2001 and Q2-2002 credit to private households rose by 10.5 billion PLN (but the dominant part of the growth was realized in Q3-2001)

Macroeconomic environment

Receivables turnover in days and quick ratio in the Polish economy



Both turnover of receivables from goods deliveries and services and liquidity quick ratio deteriorated

Turnover of receivables from deliveries and services lengthened from 47 days in Q1-2001 to 48.4 days in Q1-2002

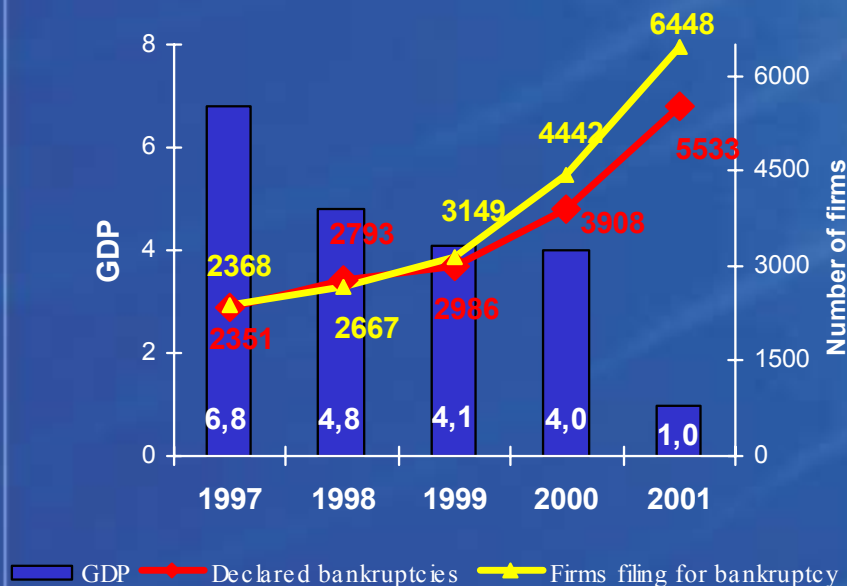
Liquidity quick ratio dropped from 0.766 in Q1-2001 to 0.749 in Q1-2002

$$\text{Liquidity ratio} = \frac{\text{Marketable securities} + \text{cash} + \text{short-term receivables}}{\text{Short-term liabilities}}$$

$$\text{Com. turn.} = \frac{\text{Receivables resulting from deliveries and services} * 90 \text{ days}}{\text{Income from the sale of products, goods and materials}}$$

Macroeconomic environment

GDP growth, number of bankruptcies declared by court and number of firms filing for bankruptcy



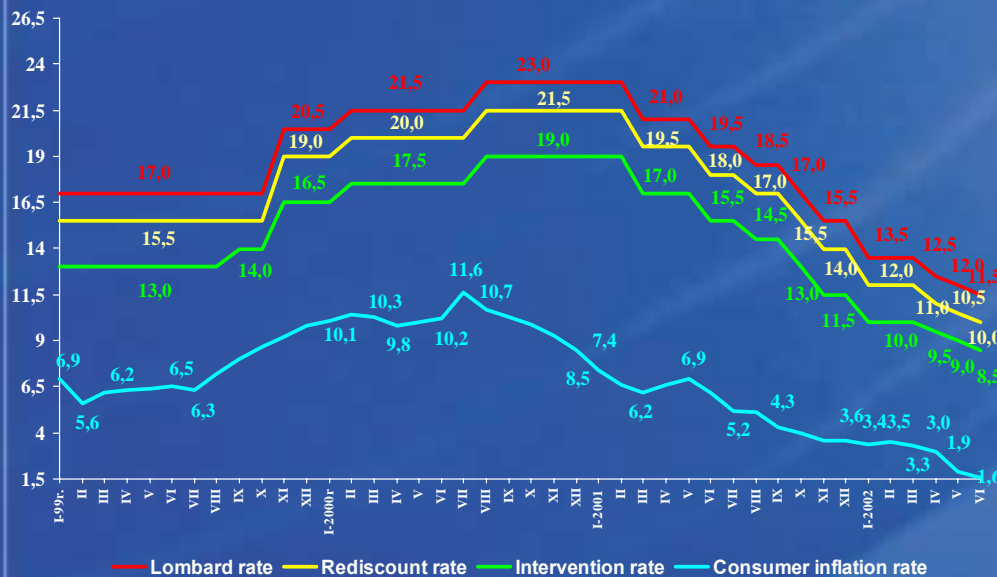
Lower economic growth is accompanied by increasing number of bankruptcies

Between 1999 and 2001 yearly number of bankruptcies almost doubled

Starting from 1999 the number of firms filing for bankruptcy has increased faster than the number of declared bankruptcies

Macroeconomic environment

Lombard rate, rediscount rate, intervention rate and consumer inflation rate



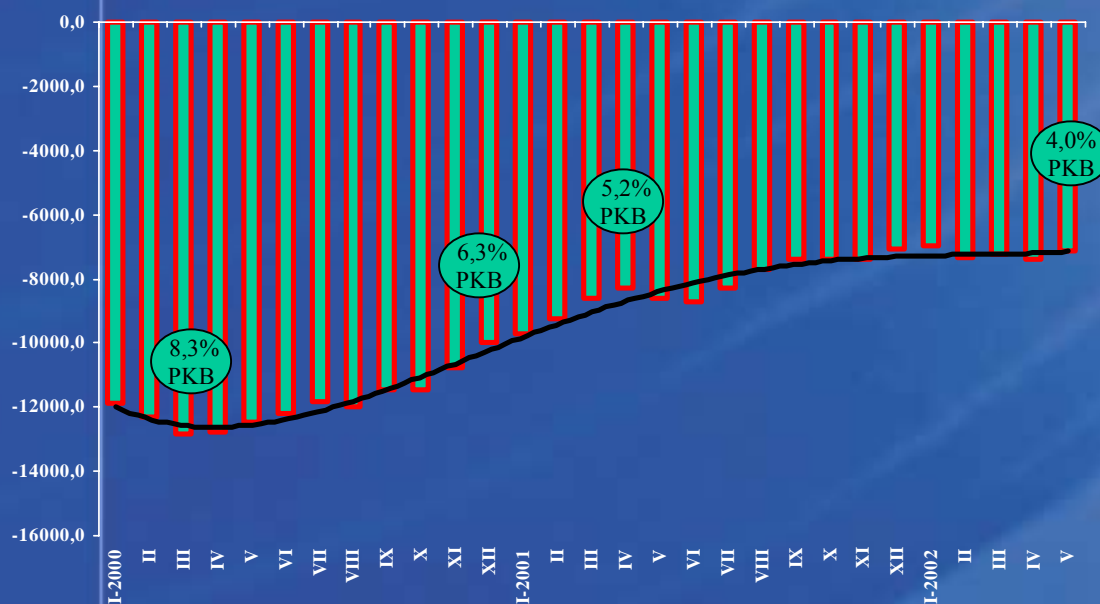
□ Inflation has remained below the threshold of 4 % for eight months in a row

□ In 2002 the Monetary Policy Council cut the intervention rate by 300 bps following its reduction of 750 bps in 2001

□ In June 2002 the real intervention rate has been reduced to the level below 7 % from above 9 % a year ago

Macroeconomic environment

Current Account Deficit
- cumulative in latest 12 months, US\$ millions

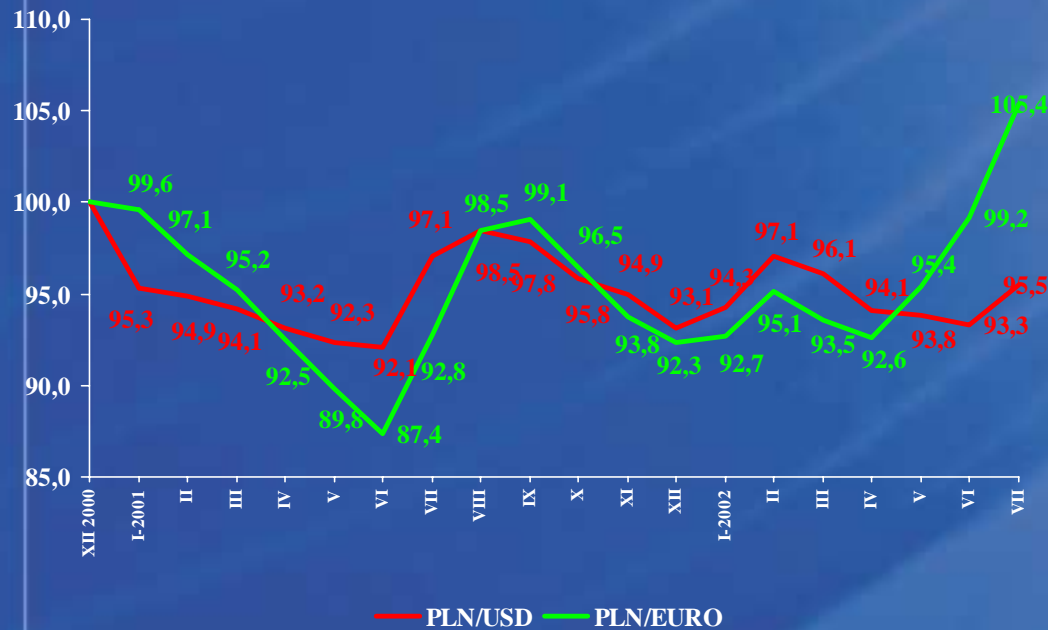


■ The CA/GDP ratio has remained at the level close to 4 % for 9 months in a row

■ Strengthening of exports gives guarantee of further CA/GDP ratio stabilization

Macroeconomic environment

Exchange rates development
(Monthly average; December 2000 = 100)

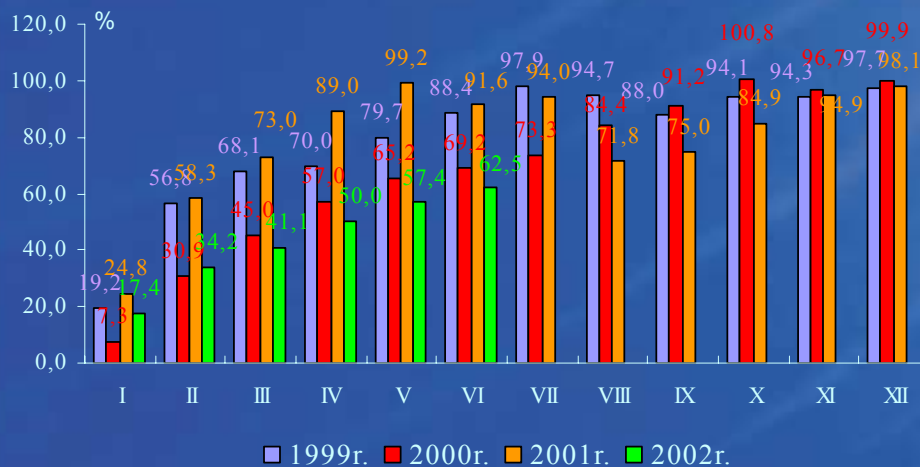


Between December 2000 and July 2002 the exchange rate of the Zloty against both EURO and Dollar remained relatively stable

Political events - like the change at the position of Finance Minister in July 2002- had only a short-term negative impact on the Zloty's exchange rate

Macroeconomic environment

Advancement of the planned budget deficit 1999-2002

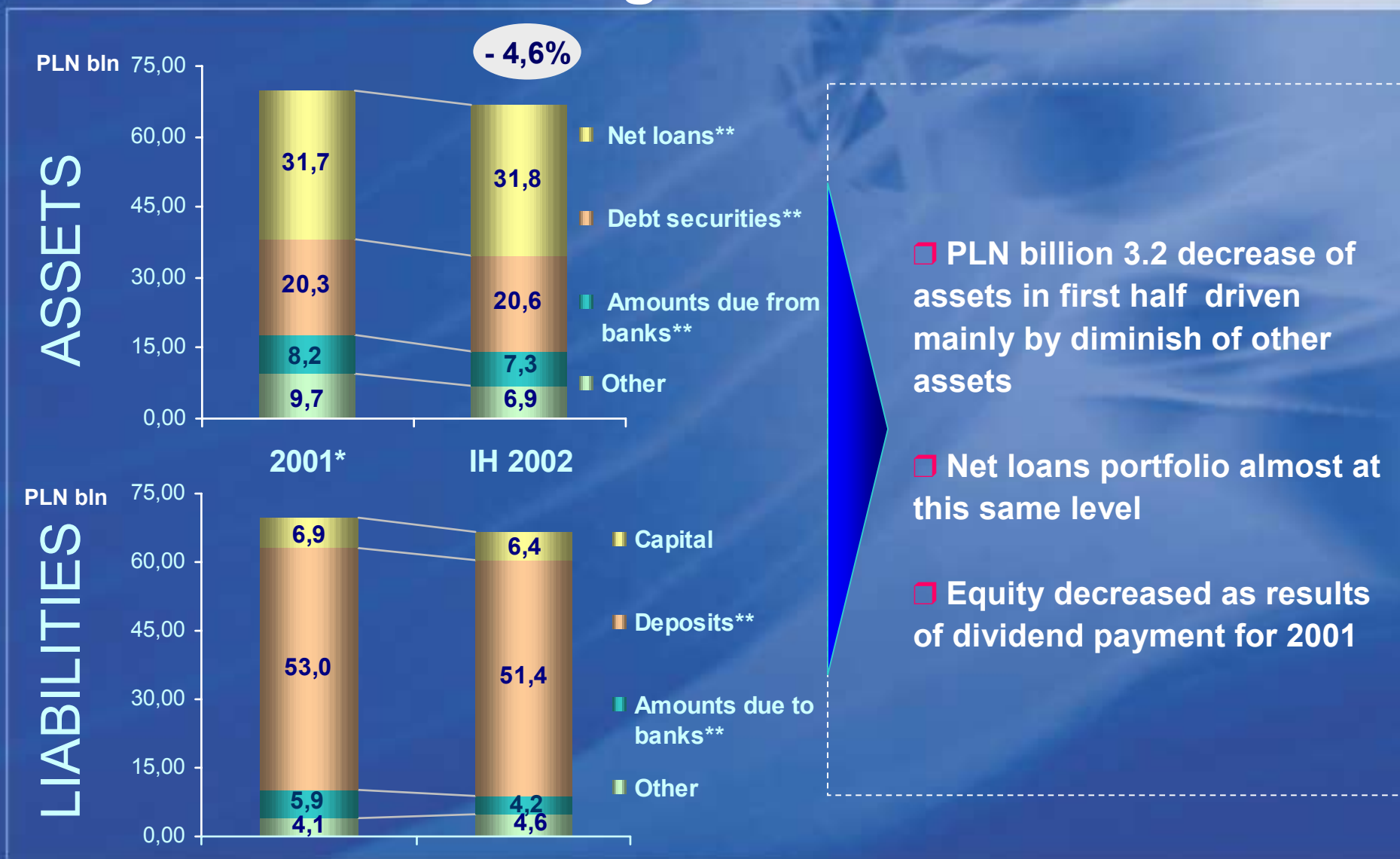


□ The budget deficit to GDP ratio is higher than in previous years - 5.4% in 2002 compared to 4.5% in 2001 and 2.2% in 2000

□ However, in the first half of 2002 the advancement of the full-year planned deficit was the lowest since several years

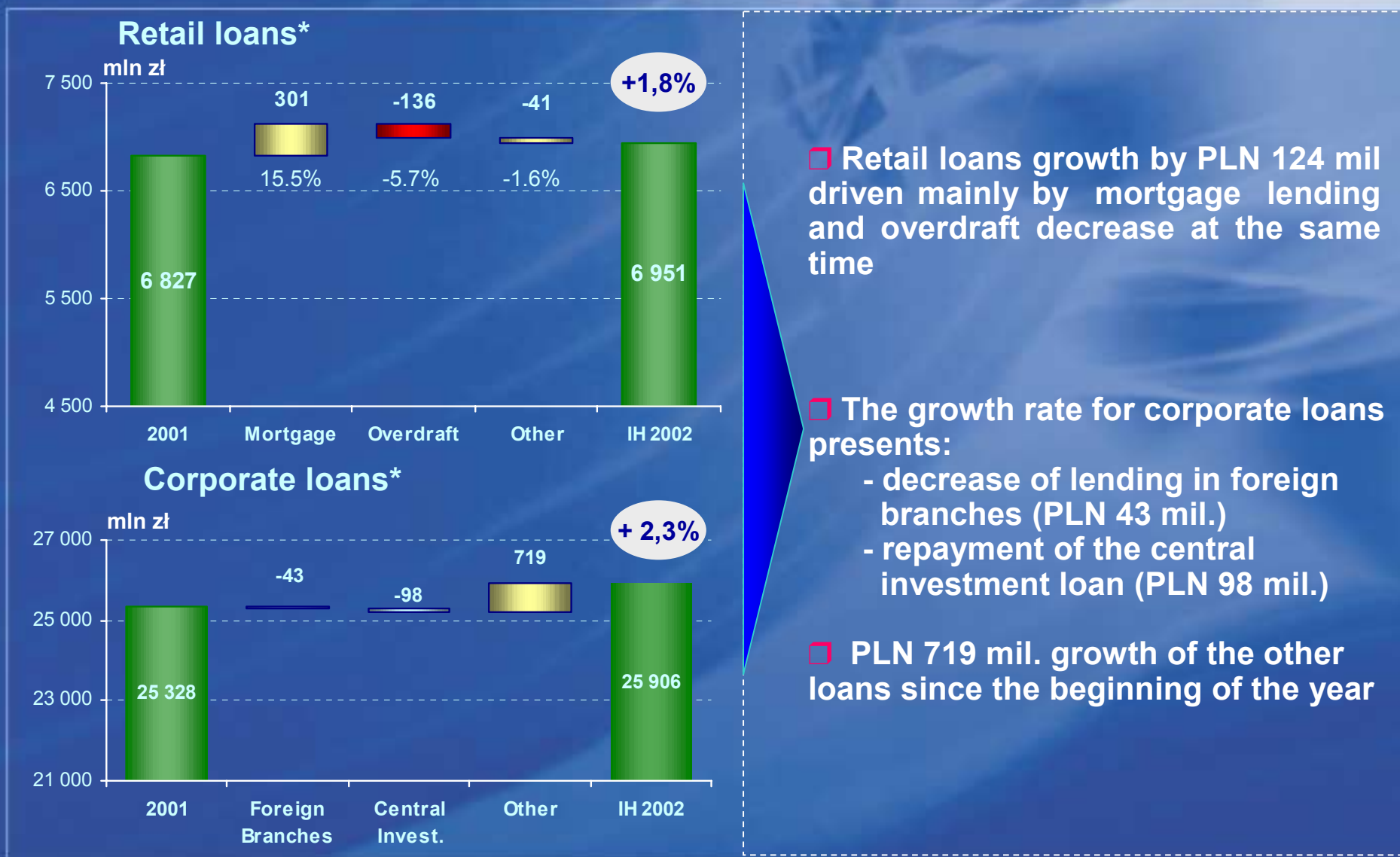
Financial results in first half 2002

Balance sheet changes



* pro forma
 ** incl. interests

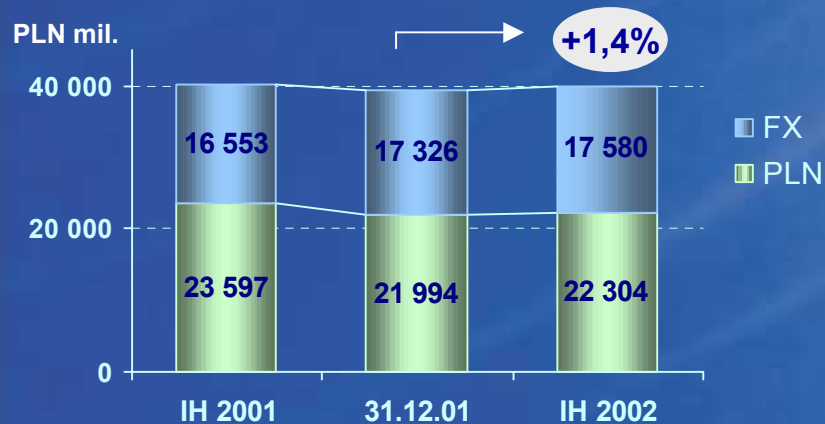
Loan portfolio



* capital
 ** pro forma

Deposit base

Retail deposits*



Corporate deposits*



□ PLN 0.6 billion growth in retail deposits in the first half - stable market share at the level 18%.

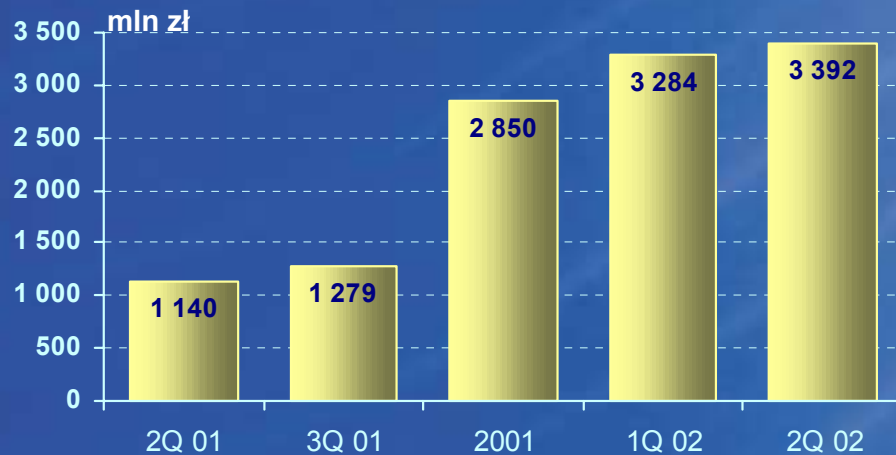
□ Further growth of investment funds' assets - total assets managed by PPIM amounts to PLN 3.4 billion

□ Significant seasonal variability of corporate deposits base

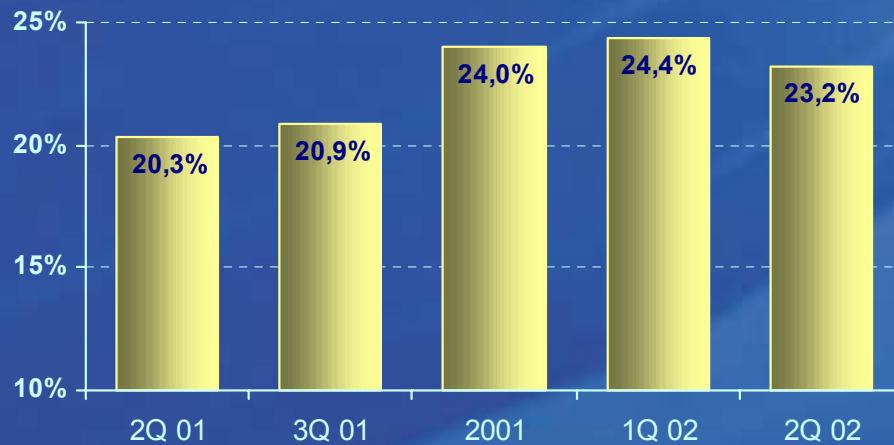
□ Insignificant (by 0.3 p.p) decrease of total deposits market share

Investment funds

Investment funds under PPIM management



Market share

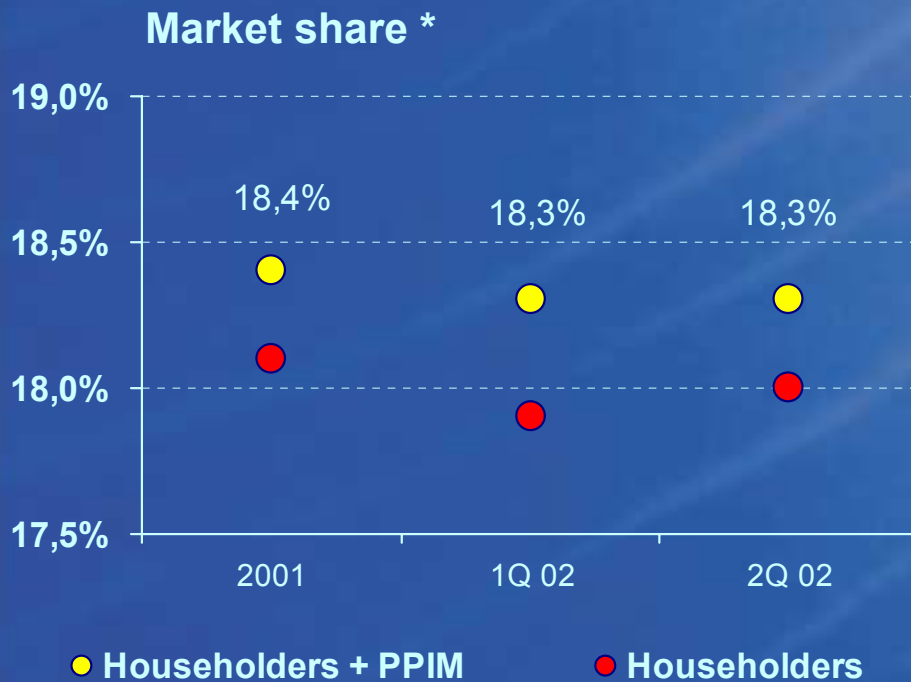


□ PLN 2.3 billion y-o-y growth of investment funds under PPIM management(PLN 0.54 billion in the first half 2002)

□ Further growth of assets under PPIM management as a consequence of shift in retail customers investment preferences

□ Insignificant decrease of market share to 23.2% in the first half 2002

Savings of private households

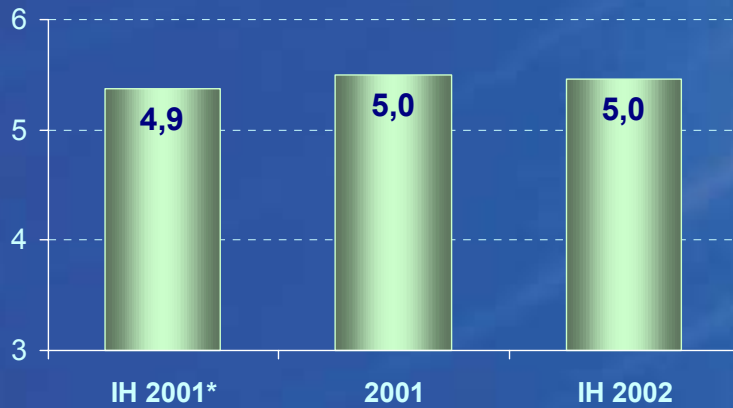


□ Stable market share of private households' savings

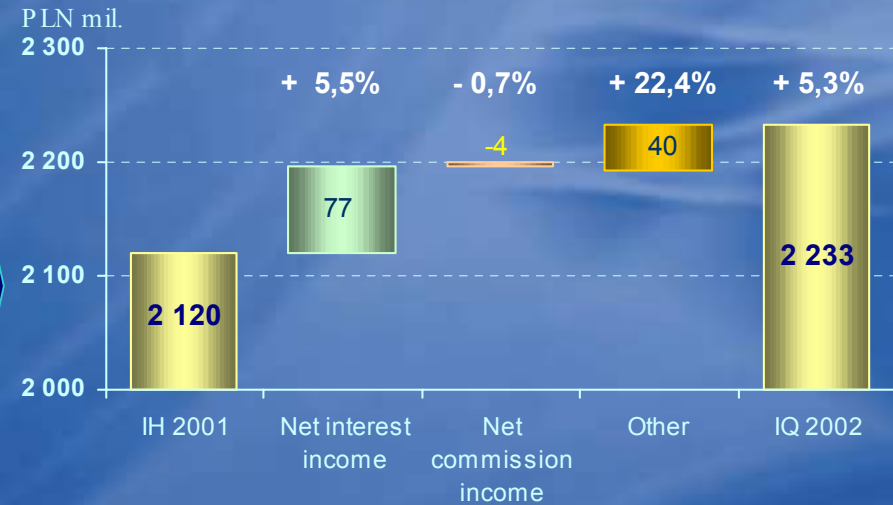
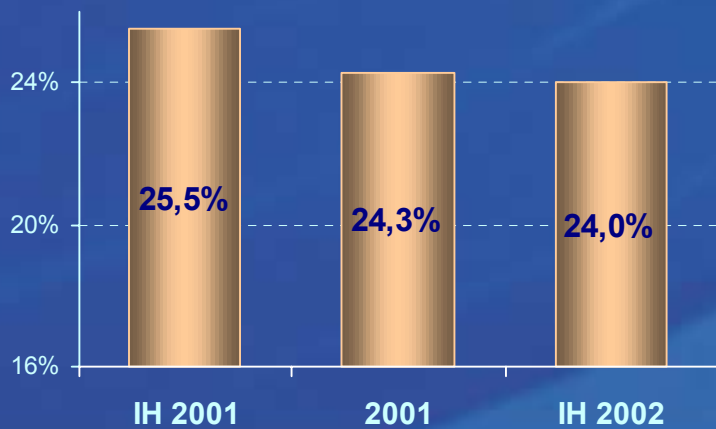
□ Significant share of Pioneer Pekao TFI in market of investment funds

Revenue growth

Net interest margin (with SWAP)



Share of fees and commissions to total revenue



* pro forma








Structure of fees and commissions growth



- ❑ In IH 2002 slower growth of new loans in comparison with IH 2001 resulted in decrease of commission income level from loan activity in IH 2002
- ❑ Commission from account service increased by 10.6 mil
- ❑ Other commissions growth by PLN 15 mil. mainly from corporate banking operations and from sale of subsidiaries' products

Cost control

Significant savings of the costs:

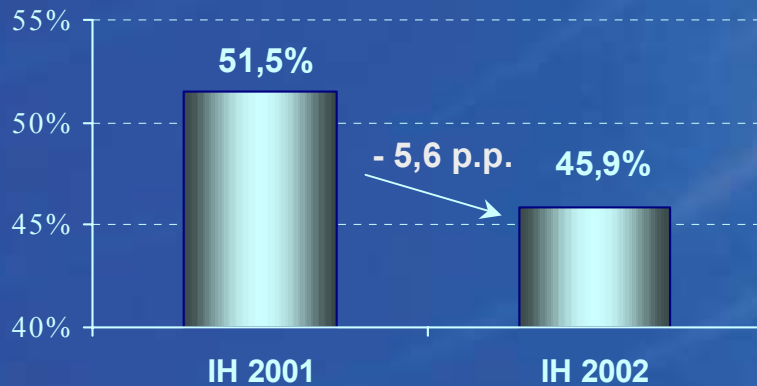
<i>Realisation of non personnel costs</i>		- IH 2001 - IH 2002	%
➔ Cost of IT services			-7,8 %
➔ Cost of real estate management			-4,3 %
➔ Cost of security and transport			-7,8 %
➔ Cost of printing			-41,4 %
➔ Office supply			-38,7 %
➔ Cost of business trips			-13,9 %

- ❑ Utilisation of Group synergies in the purchases of standard goods and services
- ❑ Intensification of saving resulting from real estate management
- ❑ Implementation of new technologies makes possible reduction of communication costs

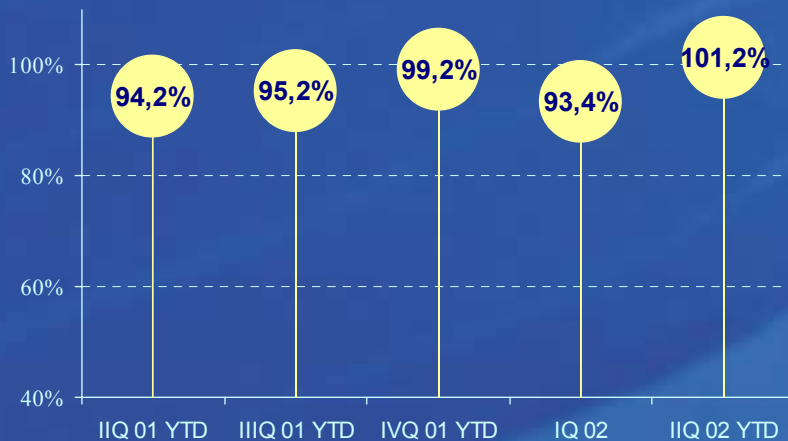
Expected additional cost savings: - PLN 75 - 100 mil. on the yearly basis

Efficiency improvement

Cost / Income



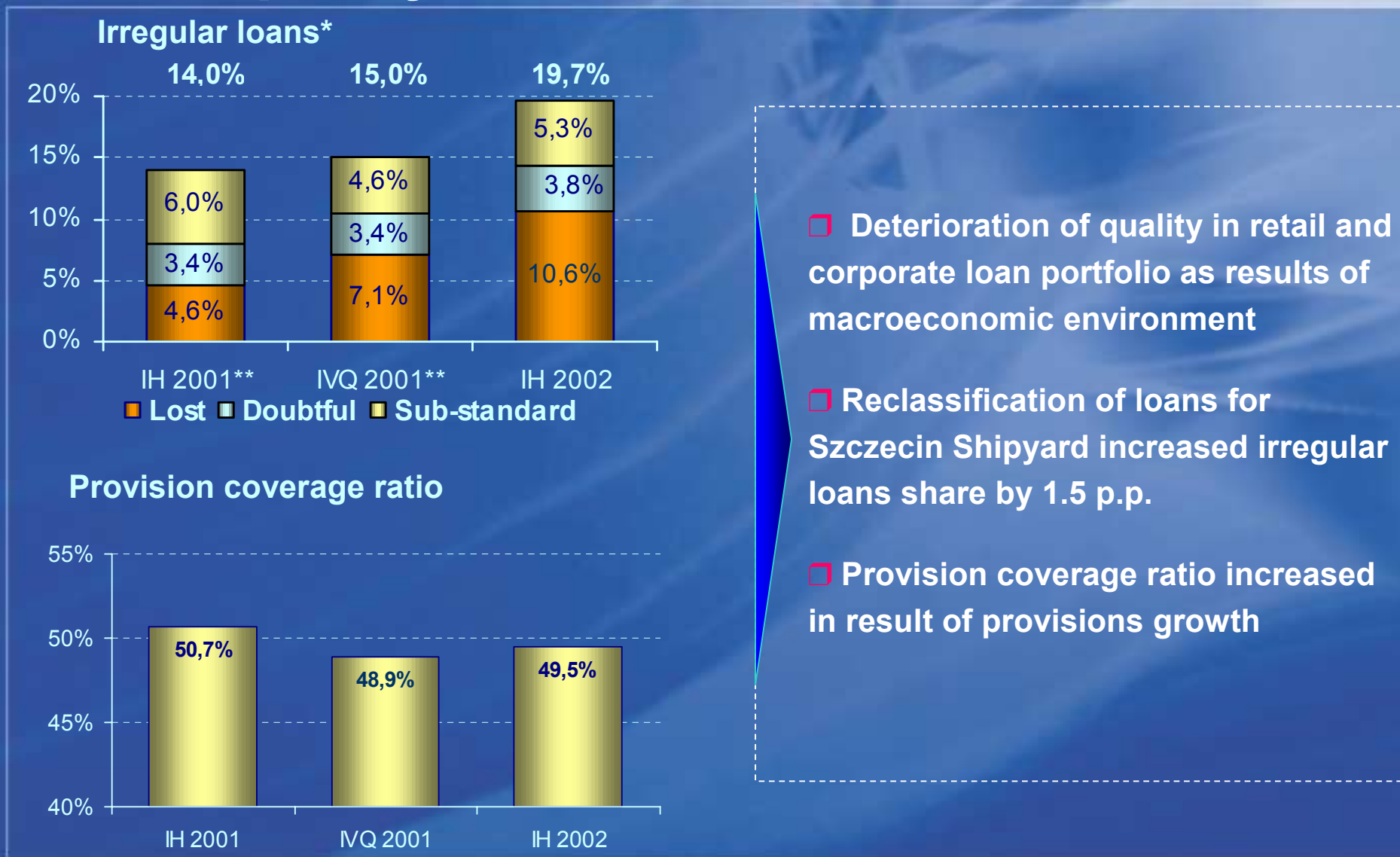
Fees and commissions/personnel costs



Operating income



Assets quality



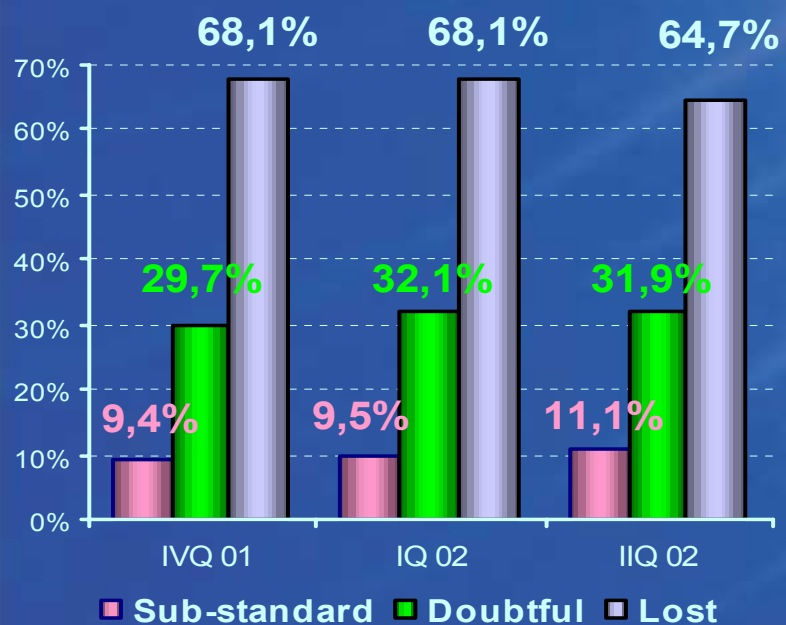
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* loans for non-financial and budget clients and non-banking institution

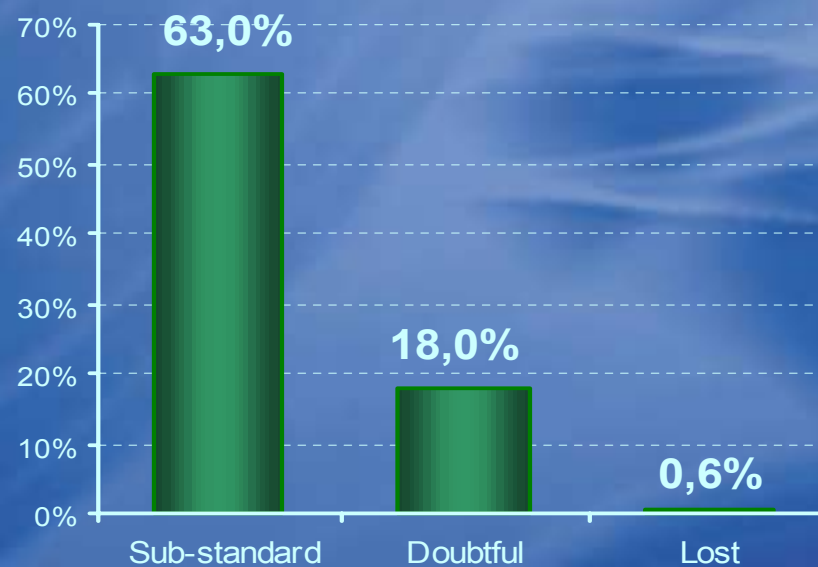
** *pro forma*

Assets quality (ii)

Provision coverage ratio

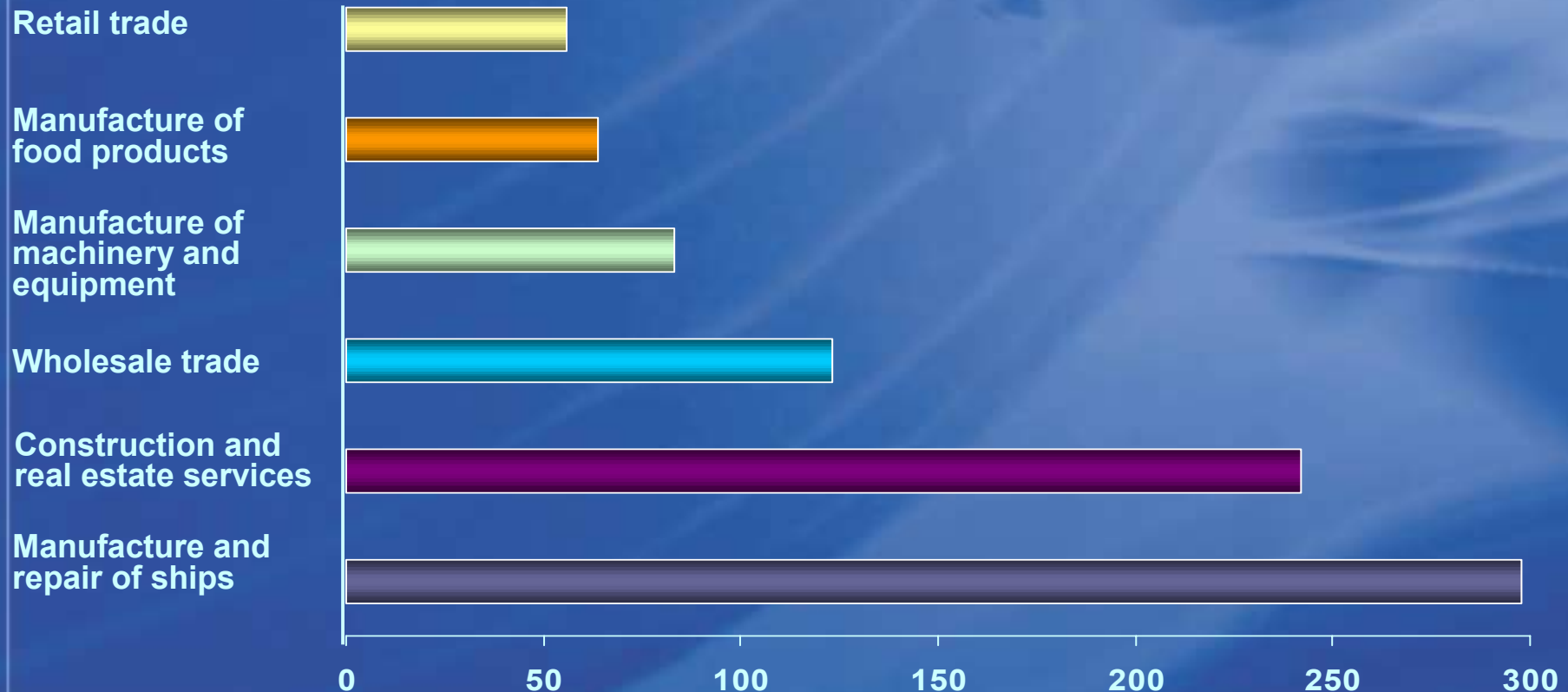


Share of loans which are normally serviced clasified as irregular loans



Assets quality

Sectors with significant influence on corporate irregular loans growth in domestic outlets of the Bank in IH 2002



Provisions structure

COST OF PROVISIONS 1H 2002

(PLN mil.)

• Szczecin Shipyard	185
• Other corporate loans	499
• Retail loans	124
• Foreign branches	41
• General and other provisions	4
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TOTAL	853

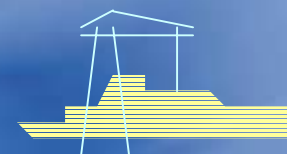
- ❑ Cost of net provisions amounted to PLN 853 mil. in IH2002
- ❑ Szczecin Shipyard provisions are almost 22% of all provisioning costs
- ❑ Provisions for retail loans are 14% of provisions' costs in IH 2002

Szczecin Shipyard exposure

Exposure

JUNE 2002

~ PLN 500 mil.



JULY 2002



Repossession of four ships under construction



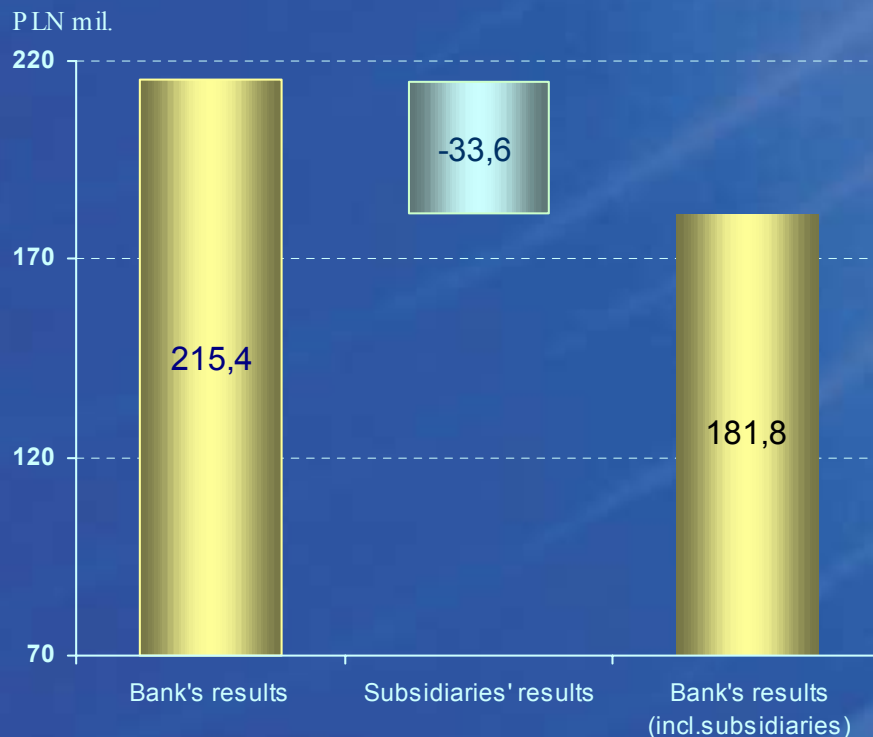
Sale of two ships

Exposure

~ PLN 210 mil.

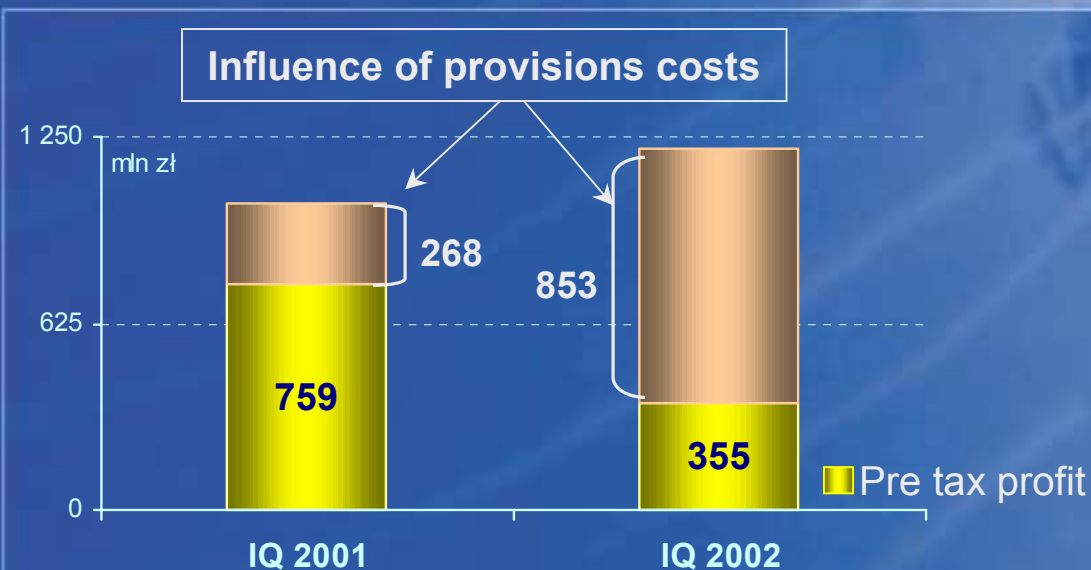
Estimated maximum potential loss - to PLN 150 mil.

Results of the subsidiaries

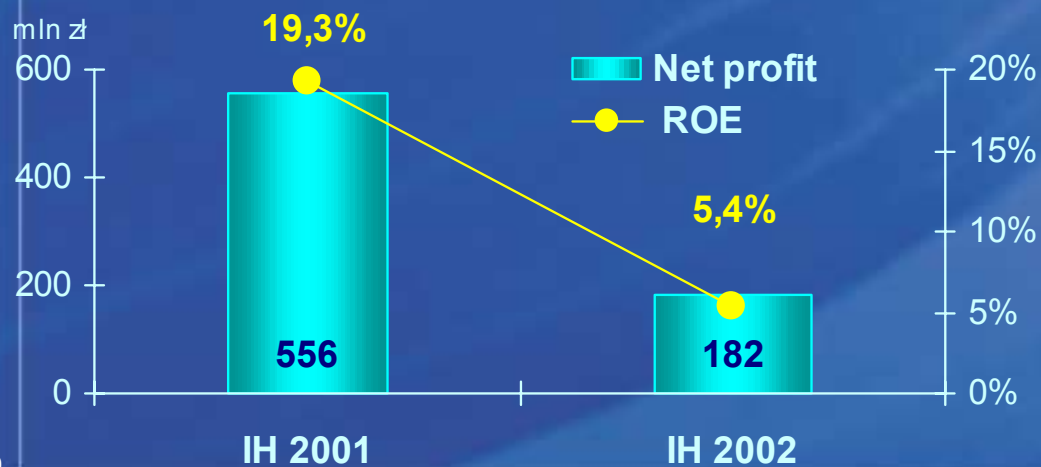


- ❑ Since the beginning of 2002 results of subsidiaries presented on equity value base are included in the Bank profit and loss accounts as a result of changes in accounting standards
- ❑ Worse than expected results of subsidiaries decreased Banks' results in IH 2002 by PLN 33.6 mil. (vs. Positive impact of PLN 57.0 mil. dividends in IH 2002)

Pre tax and net profit



Net profit and ROE



Operating income growth to PLN 1 209 mil.

Significant growth of provisions resulted in y-o-y pre tax profit decrease by more than 50%.

Net profit for IH 2002 amounted to PLN 181.8 mil. and ROE 5.4%.



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PEKAO SA**