

## Special Report

# Polish Banks' Annual Review and Outlook – Ratings Upgrades Possible

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### ■ Retail Still Strong, Corporate Recovering

A strong economy helped make 2004 a year of recovery for Polish banks, with most posting substantial operating and bottom line improvements. In retail, the effect of a benevolent macroeconomic environment was mostly seen in the form of strong demand for all types of borrowing, including consumer loans, retail credits and mortgages, which helped support margins. On the corporate side, demand for credit was weak and the benefit was mostly in the form of improved asset quality, which combined with new provisioning rules issued by the National Bank of Poland (“NBF”) led to lower net provisioning charges and contributed to improved earnings. Net income also benefited significantly from a reduction in the corporate tax rate from 27% to 19%.

Due to high nominal interest rates, the Polish banking system has attracted substantial assets and liabilities in foreign currencies, including EUR, USD and CHF. At end-2004, 23% of lending was in foreign currencies. With the PLN appreciating against all three currencies in 2004 (from PLN3.74/USD at end-2003 to PLN3.00/USD at end-2004), balance sheet growth was limited. Total loans grew only 3.2%, or below inflation, with a decline in corporate lending offset by strong growth in retail. Different philosophies on foreign exchange (“FX”) lending have become apparent, with some banks (such as Bank BPH and PKO BP) being particularly aggressive in growing retail FX mortgages, while other banks (such as Bank Pekao and BZ WBK) preferring not to encourage speculative borrowing by retail customers, thereby stopping, or in the latter case restricting, FX mortgage lending in 2004. All banks continue to offer corporate FX lending; however as these borrowers typically have FX revenues, the risk from exchange rate movements would normally be lower.

Table 1: Bank Ratings

	Long-Term	Short-Term	Individual	Support	Outlook
PKO BP				2	
Bank Pekao	A	F1	C	1	Positive
Bank BPH				2	
Bank Handlowy				1	
ING Bank Slaski	A	F1	D	1	Positive
BRE	BBB+	F2	D/E	2	Positive
Bank Zachodni	A	F1	C/D	1	Positive
Bank Millennium				1	
Kredyt Bank	A	F1	D/E	1	Positive
BOS	BBB-	F3	D	2	Stable

Source: Fitch

During 2004, when Fitch Ratings introduced a Country Ceiling of ‘A’ for Poland on its accession to the EU, four banks’ Long-term Foreign currency ratings were upgraded to this foreign ceiling. In March 2005, these banks saw the outlook for their Long-term foreign currency (“LTFC”) ratings change to positive: Bank Pekao (“Pekao”), ING Bank Slaski, Bank Zachodni (“BZ”) WBK and

Kredyt Bank. The move followed a positive outlook for Poland's 'BBB+' sovereign rating, which indicates the likelihood that the Country Ceiling will be raised to 'A+' in the medium-term. The Long-term, Short-term and Support ratings of all these banks are based on the potential support available from their foreign owners and the potential sovereign upgrade is the key driver for the sector in 2005. Individual ratings have been relatively stable in most cases, with the exception of BRE, which was downgraded in December 2004 to an Individual rating of 'E', but then upgraded in February 2005 when it was bailed out by its parent, Commerzbank. A continued strong macroeconomic environment is expected to provide potential uplift for banks with weaker ratings via further growth in profitability and stronger balance sheets, while for banks with stronger individual ratings, these trends may be offset by anticipated declining capitalisation following higher dividend payouts.

While actively seeking FX lending opportunities, Polish banks have generally been conservative about taking direct FX risk on their balance sheet, and as a result, despite the large appreciation of the PLN in 2004, there were no incidents of significant FX gains or losses. In contrast, the appreciating PLN has reduced the value of FX loans, and thus unhedged borrowers (i.e. nearly all retail FX loans) would have seen their debt burdens reduced. Consequently, PLN appreciation has contributed to continuing strong retail asset quality. Nonetheless, Fitch remains concerned about indirect risk with retail FX mortgage clients. Even the more aggressive banks have taken extra precautions with this lending, either limiting loan-to-value ratios or applying other more stringent credit granting criteria, and to date there have not been any significant asset quality problems. Bank BPH, for example, has experienced higher asset quality for FX mortgages than for PLN mortgages. Additionally, FX mortgages are typically convertible into PLN. Nonetheless, Fitch believes that this type of lending is inherently riskier, and under less favourable macroeconomic conditions, potentially a source of losses both financial and in terms of reputation. Given the long-term nature of this lending, the brief credit quality history available can only provide limited comfort.

Limited lending growth and improved profitability have boosted capital adequacy ratios for Polish banks. However, it appears that the strategic shareholders are finally approaching the issue of over-capitalisation with long anticipated increases in dividend payout ratios. Citibank Handlowy, in particular, has promised to return nearly one quarter of equity to shareholders via a special dividend, which is still expected to leave it adequately

capitalised. While Fitch believes that in some cases banks could operate prudently with lower capital levels, still high levels of non-performing loans, expected asset growth in 2005, and weak operating profitability for several banks will limit the size of payouts.

Improved asset quality among corporate borrowers, helped keep provisioning charges low in 2004 although exceptional write-backs of general provisions required for the move from Polish Standards to International Financial Reporting Standards ("IFRS") mean that such a low loan loss provisioning charge may not be fully recurring. However, the quality of new lending is expected to have remained high and, should strong economic performance continue, Fitch does not expect to see a repeat of the extremely high loan loss provisions seen at the beginning of the decade.

#### ■ Economic Environment

The banking sector benefited from strong economic growth in 2004, with GDP expanding 5.3%, the fastest rate of expansion since 1997. Looking at quarterly GDP figures, the recent trend has been one of deceleration, with Q404 GDP growth more modest – but still strong – at 3.9%. This is partly a consequence of the appreciating PLN but fiscal and monetary tightening in 2005 is likely to act as an additional brake on growth. Poland's exceptionally low investment rate (18% of GDP in 2004, the lowest in Central and Eastern Europe ("CEE")) showed signs of picking up towards the end of 2004, with investments rising 7.2% in Q404. Corporate lending nonetheless fell 3.9% in 2004. However, banks have still benefited from the strong economy via recoveries and falling levels of non-performing loans ("NPLs"). Healthy balance sheets, EU financing and capacity constraints suggest investment growth should remain strong in 2005, and most banks have optimistic outlooks for corporate banking. On the retail side, falling unemployment is likely to make a marginally positive contribution to continued rapid retail loan growth.

The strengthening of the PLN has created a challenge for monetary policy, as strong GDP growth and higher inflation in 2004 called for higher rates. The Monetary Policy Council of the National Bank of Poland responded to an uptick in inflation in mid-2004 with interest rate hikes; however, inflation pressures have since shown signs of cooling and the current policy bias is towards easing. Polish banks expect anticipated declining interest rates in 2005 to put some pressure on margins, but this could also help to reduce the attractiveness of foreign currency

mortgages, which Fitch considers a source of concern.

### ■ Individual Bank Results

#### PKO BP

Poland's largest bank was partially privatised via an IPO in November 2004, with 29.2% of the shares sold to domestic investors and 8.5% sold to foreign investors, leaving the state treasury with a 62.3% stake, of which 10.5% was reserved for PKO BP employees. There are no current plans for a further reduction in the treasury's stake in the bank, nor for a strategic foreign shareholder to enter the shareholding base: Fitch's Support rating of '2' is expected to remain in place.

As the leading retail bank, PKO BP benefited from strong demand for all types of retail lending during 2004. Mortgages rose 12% and now represent 34% of total lending, while other retail lending rose 24% and now represents 28%. Like several other banks, PKO BP offers foreign currency mortgages; in 2004 the share of loans and credits denominated in foreign currencies (mainly in CHF) increased to 39% (2003: 18%). On the other hand, corporate and public sector lending both declined in 2004, and as a result total lending growth was more subdued at 9%. NPLs fell to 9.2% of total loans (2003: 12.5%), helped by improved loan portfolio quality as well as the new NBP loan classification system (see Fitch's "*Polish Prudential Regulations*" report, dated 9 August 2004 and available at [www.fitchratings.com](http://www.fitchratings.com)) and loan growth. However, it is worth noting that loss loans, the worst category of loans, represented almost three-quarters of NPLs. Deposits increased by a below market 2.0%, but the bank's liquidity position remains strong with government securities representing a quarter of the balance sheet. The bank continues to account for over a quarter of all deposits in Poland.

Despite narrowing margins, the bank was able to generate more net interest revenue (+5%) on the back of the strong loan growth, and fees and commissions increased an impressive 21%. Other operating income, which contains more volatile trading items, declined in 2004. Personnel costs rose 3% as the bank moved salaries closer to the market average and headcount increased slightly at subsidiaries. Other operating costs were flat, but there are some prospects of improvements once the bank completes the development of its new IT system. Loan loss provisions fell sharply, representing an unsustainably low 0.2% of average loans.

The bank ended the year with a relatively high capital adequacy ratio of 16.7% (2003: 16.4%) as high profitability offset asset growth; however, management has increased the dividend payout ratio to around two-thirds, indicating a more aggressive approach following the IPO.

#### Bank Pekao

Pekao continues to be the strongest performer in the Polish banking sector. Lending grew during 2004 (albeit by a modest 4%) following two years of decline as Pekao pursued a prudent approach by restricting new credits in the unfavourable economic environment. With the improvements seen in the economy, Pekao is now targeting revenue and loan growth, and lending can be expected to increase at a greater pace in 2005. Much of the 2004 increase occurred in mortgage lending as lower PLN interest rates shifted demand from FX loans, which Pekao has stopped granting, to PLN loans. This trend is likely to continue and Pekao should continue to benefit with its good product offering and distribution network. Performance indicators improved in 2004, with the return on average assets increasing to 2.19% from 1.43% in 2003, aided in part by the decline in the size of the balance sheet, driven by the fall in the level of retail deposits.

Fee and commission income has also increased, helped by the continued growth of Pekao's fund management business, Pioneer, which increased its market share from 30% to 35% during 2004. Pekao actively tries to move its vast deposit base towards funds under management to take advantage of the greater revenues on managing this money, and deposits fell by 9% in 2004, which led to the fall in the total size of the balance sheet. However, liquidity is still very strong, with loans representing only 47% of total assets, and this leaves ample room for further growth.

#### Bank BPH

Bank BPH, the 71%-held Polish subsidiary of the German HVB Group, performed well in 2004, more than doubling net income to PLN788 million. Improvements were visible in nearly all areas, with higher interest income and fees and commissions combining with lower operating costs and provisions. The revenue performance is particularly positive given that these figures are influenced by the sale of regional bank subsidiary Górnśląski Bank Gospodarczy, since renamed GETIN Bank, without which revenues (and expenses) would have been higher. ROE rose to 14.1% (2003: 6.4%), but remains lower than at its large bank peers, Pekao and PKO BP. The cost to income ratio declined to 53% (2003: 65%), while the net interest margin was unchanged at 2.7%.

The loan portfolio grew 9%, driven by retail mortgages which increased by PLN2.6 billion. Bank BPH has been particularly aggressive in foreign currency mortgage lending, where its market share is nearly double its PLN mortgage market share. The bank aims to offset the inherently higher risk in this lending through lower loan-to-value ratios and other more restrictive lending criteria. Thus far, these precautions appear to have been effective, as FX mortgage NPLs have been at almost half the level seen for PLN mortgages despite significant appreciation of the PLN. Nonetheless, this lending remains a source of concern for Fitch.

The bank saw a substantial improvement in asset quality in 2004, with classified loans (loss, doubtful and substandard) falling from 19.1% of total loans to 11.0%. While successful recoveries and fewer new corporate defaults played a role, liberalised risk classifications rules from the Polish ministry of finance, loan growth and PLN appreciation (which reduced the value of FX NPLs) were also contributing factors. NPLs are 46% covered by provisions and 50% covered by collateral. Total capital adequacy rose from 14.0% at end-2004 (end 2003: 13.2%), but a planned 80% payout ratio for 2004 will reduce capital adequacy to approximately 12.0%.

#### Citibank Handlowy

Citibank Handlowy's corporate focus was an obstacle to performance in 2004, given the booming retail market and limited demand for new lending from larger companies. As a result, while the bank's operating result and bottom line improved, profitability remained weak and total assets decreased. Releases of provision and a lower tax charge were significant contributors to improved performance. Handlowy's significant foreign exchange exposures contributed to balance sheet shrinkage, as the appreciating PLN led to a 27% decline in loans and a 7% decline in deposits.

An increased proportion of retail lending as well as a more than doubling of government bond holdings helped Handlowy increase net interest income 20% despite the smaller loan portfolio. Fees and commissions were also strong, rising 13%, with growth coming from both retail products and brokerage services. Other operating income declined as a result of FX revaluation adjustments. However, operating expenses rose 11% as the bank increased headcount and expanded the branch network, thus raising the cost to income ratio to a high 71% (2003: 65%). Loan loss provisions fell to only 0.2% of average loans due to improved asset quality and the release of general risk provisions. Classified loans decreased to a still high 27% of total lending (2003:

30%) but the improvement appears relatively modest given the bank's high corporate exposure.

ROE was a relatively weak 6.6%, but the bank's 19.3% capital adequacy ratio was partially to blame. Handlowy has announced a PLN1.56bn special dividend for 2004, equivalent to nearly a quarter of shareholders' equity, which should still leave the bank adequately capitalised.

Citibank Handlowy is 89.3% held by Citibank. Citibank agreed with regulators to reduce its stake to 75%, but rather than sell shares, it issued a special convertible bond in November 2004 which gave the holder voting rights even without conversion. The bonds represent 14.3% of voting rights, thus allowing Citibank to technically meet the voting limit while maintaining its 89% shareholding. The bonds have a three-year maturity and a conversion price of PLN75, compared to a 5 May 2005 closing share price of PLN66.9.

#### ING Bank Slaski

ING BSK's improved profitability in 2004 was driven from a substantial decrease in loan provisioning costs, aided by the review of the loan book in the previous two years with the resultant provisioning, and also a lack of new lending. Income from FX operations also saw a significant increase. However, both net interest income and commission income fell, reflecting a decline in business volumes. Loans fell for the third consecutive year in 2004 (by a high 17%) as ING BSK lost share in both the retail and corporate sectors; corporate lending, which accounts for three-quarters of the total portfolio, has fallen with the market, but ING BSK has also lost market share (5.3% at end-2004 compared with 6.3% at end-2003) due to both a conservative lending policy and lack of demand. On the retail side, market share was also lost, as the bank was later than its competitors in updating its product offering, particularly credit cards and mortgages. Loans seem reasonably well reserved, but for continued improvement in profitability, ING BSK needs to expand lending. With its more than ample supply of deposits and strong capitalization, there is plenty of room for growth in this area. ING reduced its shareholding to 75% from 87% in March 2005, in accordance with the agreement made with the Polish authorities at the time of acquisition.

#### BRE Bank

BRE's bottom line in 2004 was severely impacted by write-downs in its proprietary equity holdings, resulting in the bank's failure. It thus needed to call on the support of its parent, Commerzbank. This came in the form both of direct injections of capital and the sale of its mortgage subsidiary BRE Bank

Hipoteczny (formerly Rheinyp-BRE Bank Hipoteczny), the latter occurring in Q105. Following the large losses reported in 2004, Commerzbank has taken a more active role in the bank, monitoring its performance and risk levels more closely and influencing its strategy. The bank's corporate governance is also expected to have improved. In line with this, BRE has stated its intention to move away from private equity style investments and concentrate on core banking, both retail and corporate. However, whilst BRE has made progress in developing its retail business, it is still small relative to the rest of the bank. The bulk of its business is still in corporate lending and investment banking: a lack of demand from the corporate sector for credit and a decline in investment banking activities have hindered the bank. Following high levels in the early-2000s, provisioning costs have fallen and are now at levels similar to the system as a whole. Capitalisation has improved with the help from its parent, but may come under renewed pressure with the expansion plans of the bank.

#### Bank Zachodni WBK

BZ WBK reported an 86% increase in operating profit for 2004, caused by both an increase in operating income and significant benefits coming through from the bank's cost reduction programme. BZ WBK has benefited along with other Polish banks from the increase in interest rates seen in Q304, and this helped support BZ WBK's net interest margin at a very healthy 3.6%, despite a slight contraction in lending as the bank has decided not to compete on price.

BZ WBK began allocating additional reserves against its loan portfolio earlier than much of the market, and so has not seen as sharp a decline in provisioning costs as have other banks. Similarly to Pekao, having shied away from FX mortgages, it has now started to gain market share in the mortgage market. Capitalisation and liquidity remain strong, and the challenge for BZ WBK will be to increase its loan portfolio outside of its home region in competition with the other major banks.

#### Bank Millennium

The Polish subsidiary of Banco Comercial Português saw exceptionally strong bottom line growth in 2004; however, as in previous years, the bank's performance was boosted by exceptional items. Non-recurring items represented over two-thirds of net income, and included the sale of a stake in Powszechnego Zakładu Ubezpieczeń ("PZU"), the country's largest insurer, and the sale of a portfolio of car loans to Banco Santander's Polish subsidiary. Recurring income improved as well, but remained modest with ROE excluding these items reaching

only 4.1% (2003: 0.5%; 2002: -5.2%). ROE measures are distorted by the exceptionally high 22.4% capital adequacy ratio, but recurring ROA is also weak at only 0.4%. A high dividend payout is expected to reduce overcapitalisation in 2005. Net interest income grew slightly despite a shrinking loan portfolio, while fees and commissions grew 11.4%, helped by strong demand for brokerage and capital markets services. Headcount reductions, which have totalled 27% over the course of a two-year restructuring programme, contributed to a 6.3% fall in operating costs excluding some IFRS-related extraordinary depreciation.

The sale of the car loan portfolio, combined with an 18% decline in corporate lending, led to a 29.5% fall in total lending. Corporate loans, which dominate the portfolio, declined due to the reduction of some large exposures. Mortgages remained strong, growing 23% to reach 21% of total lending. Quarterly trends show that Bank Millennium has been steadily increasing its share of new mortgages, and strong growth is expected to continue in 2005. The bank has been active in the provision of foreign currency mortgages, which represent over 90% of new mortgages and approximately 80% of the existing portfolio. Leasing, which is mostly for the financing of car purchases by small business owners and around 40% of which is in foreign currency, grew 12% and represents 21% of total consolidated lending. The bank is fully hedged against foreign currency lending, which represents around half of total lending, although it remains exposed indirectly as many of its retail clients do not have FX income.

Asset quality improved substantially, with loans 90 days overdue falling to 7.9% of total lending (2003: 12.6%), while provision coverage increased to 143.9% (2003: 93.8%). The bank was particularly successful in increasing recoveries. Deposits grew 13.1%, well in excess of the market. Excess funds were invested in government securities, boosting liquidity.

#### Kredyt Bank

Following huge losses in 2003 and, to a lesser extent, in 2002, Kredyt Bank was recapitalised during 2004 by its majority shareholder KBC. These losses were driven by high provisioning costs which have, however, fallen in 2004 to 0.84% of total loans from the exceptionally high level of 8.76% during 2003. The provisioning costs are still high given the 21% fall in the level of loans in 2004 from 2003. Restrictions on new lending together with a thorough review of lending approval procedures performed in conjunction with the majority shareholder KBC should help ensure against any further deterioration of the loan portfolio. However, classified loans net

of provisions still accounted for over 100% of equity at end-2004 and further provisioning requirements cannot be ruled out.

The decline in provisioning costs enabled Kredyt Bank to return to profitability during 2004, and it reported a respectable return on equity of 17%. However, costs are still quite high at the bank (4.7% of average assets for 2004) and future revenue generation is likely to suffer from the restricted lending policy. Capitalisation is clearly much improved, and the bank has reduced the level of its fixed assets and equity holdings. However, it is still compromised by the high concentrations in the loan book and the high level of net classified loans.

#### BOS

BOS improved its profitability during 2004, with net interest income and commissions both rising on the back of increased business, though this remains low with a return on equity of 6.3%. Moving away from

its traditional role as the financier of environmental projects, BOS is expanding into the small- to medium-sized enterprise (“SME”) and retail sectors, aided by its minority shareholder SEB in developing its product offering. However, BOS does not have a major franchise and has weaker pricing power than some of its larger competitors for both loans and deposits. To develop into a universal bank, BOS will need to further expand its product offering and invest in its distribution network. It will be competing against banks with an established market presence and will have to continue with aggressive pricing to gain market share. Profitability is further constrained by the bank’s high cost base, and this is unlikely to change substantially in the medium-term with the bank’s planned IT investments and branch expansion programme. Capitalisation is adequate at present, but may come under pressure with the planned loan growth and the poor level of internal capital generation.

## ■ Appendix

### Poland 2003 Results

(PLNm)	PKO BP*			Bank Pekao			Bank Handlowy w Warszawie			Bank BPH			ING Bank Slaski		
	2004	2003	Change (%)	2004	2003	Change (%)	2004	2003	Change (%)	2004	2003	Change (%)	2004	2003	Change (%)
Net Interest Revenue	3,635	3,466	5	2,276	2,446	-7	900	754	19	1,367	1,266	8	835	881	-5
Net Commission Income	1,665	1,381	21	1,543	1,403	10	591	522	13	762	726	5	521	526	-1
Other	440	836	664	472	210	125	485	671	-28	768	536	43	328	113	190
Loan Loss & General Risk Provisions	86	297	-71	354	497	-29	19	165	-88	274	297	-8	198	406	-51
Operating Profit	1,923	1,536	25	1,501	1,258	19	555	513	8	1,081	584	85	452	139	224
Net Income (Excl Minority Interest)	1,511	1,193	27	1,339	917	46	414	289	43	788	334	136	365	9	4045
Total Loans	42,121	38,528	9	27,603	26,632	4	9,707	13,256	-27	27,767	25,386	9	10,265	12,335	-17
Total Assets	88,763	86,665	2	59,333	63,013	-6	33,820	34,028	-1	53,857	48,392	11	34,968	28,917	21
Total Equity	8,096	6,393	27	7,248	6,429	13	6,153	5,947	3	5,927	5,370	10	3,130	2,704	16
Pre-Provisions Operating ROA	2.32	2.36		3.03	2.74		1.69	2.05		2.65	1.88		2.03	1.95	
Operating ROA	2.22	2.03		2.45	1.96		1.64	1.55		2.11	1.25		1.41	0.50	
ROE	20.85	20.69		18.67	14.32		6.85	4.84		14.08	6.58		12.51	0.32	
ROA	1.74	1.48		2.19	1.43		1.22	0.87		1.56	0.74		1.14	0.03	
Costs/Income	65.00	65.37		56.76	56.75		70.96	65.15		53.25	65.17		61.40	64.10	
NIM	4.19	4.17		3.72	3.82		2.65	2.28		2.67	2.71		2.61	3.16	
Capital Adequacy Ratio	16.67	16.36		19.36	16.51		19.29	16.04		13.99	13.15		15.41	14.60	

\* Polish accounting standards, consolidated. 2003 ratios are unconsolidated.  
Source: Banks' financial statements

## Poland 2003 Results

(PLNm)	Bank Zachodni WBK S.A.			Bank Millennium			BRE Bank SA			Kredyt Bank			Bank Ochrony Srodowiska		
	2004	2003	Change (%)	2004	2003	Change (%)	2004	2003	Change (%)	2004	2003	Change (%)	2004	2003	Change (%)
Net Interest Revenue	931	863	8	972	603	61	511	258	98	635	724	-12	163	147	11
Net Commission Income	569	548	4	243	218	11	308	347	-11	507	522	-3	87	76	14
Other	338	254	33	242	123	97	689	266	159	142	120	18	35	10	242
Loan Loss & General Risk Provisions	131	134	-2	76	141	-46	155	(1)	n.a.	106	1,499	-93	12	31	-61
Operating Profit	573	256	124	308	(106)	n.a.	181	42	331	118	(1,307)	n.a.	58	9	576
Net Income (Excl Minority Interest)	462	129	259	241	41	488	(265)	9	n.a.	183	(1,567)	n.a.	37	22	68
Total Loans	13,643	13,725	-1	7,205	10,227	-30	13,854	15,333	-10	11,849	15,000	-21	4,942	4,480	10
Total Assets	27,588	24,169	14	20,441	19,297	6	32,714	30,539	7	21,671	23,943	-9	6,968	5,923	18
Total Equity	3,053	2,558	19	1,995	1,735	15	1,917	1,696	13	1,490	689	116	607	571	6
Pre-Provisions Operating ROA	2.48	1.66		1.93	0.19		1.06	0.14		0.98	0.79		1.09	0.70	
Operating ROA	1.98	1.12		1.55	(0.56)		0.57	0.14		0.52	(5.37)		0.90	0.15	
ROE	16.48	5.07		12.90	2.36		(14.69)	0.51		17.00	(133.75)		6.32	3.88	
ROA	1.79	0.53		1.21	0.22		(0.84)	0.03		0.81	(6.44)		0.58	0.39	
Costs/Income	65.05	75.51		73.66	96.29		77.78	95.30		82.59	85.94		75.26	83.00	
NIM	3.60	3.52		4.89	3.19		1.61	0.89		2.79	2.98		2.52	2.60	
Capital Adequacy Ratio	12.92	12.01		22.4	12.2		10.03	8.23		14.72	9.13		13.57	13.40	

\* Polish accounting standards, consolidated. 2003 ratios are unconsolidated.

Source: Banks' financial statements

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