ASSET MANAGEMENT MARKET IN POLAND 2006

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EXECUTIVE SUMMARY – ASSET MANAGEMENT MARKET IN POLAND 2006

- **Rapid growth of Assets under Management.** The shift of client preferences from low interest banking deposits into funds with particular role of equity is fuelling quick growth of fund and insurance assets. Moreover the national pension reform introduced in 1999 has set the long term and foreseeable supply of new funds. Pension managers receive each year fresh money worth ~2-3 billion EUR

- **High profitability of fund managers.** Despite growing competition fund managers in Poland have been able to maintain high margins. This is particularly visible on the investment funds market, where growing volumes convert into higher profits of fund managers. In contrary, profitability of pension managers is a subject to administrative regulations. It is not excluded, that the future growth of profitability resulting from increasing volumes may be limited by expected fees limitations

- **Outsourcing**. Growing specialization of both asset managers and financial products distributors is encouraging emerging of new business models, for example fund management or administration outsourcing. So far there has been only few examples, but need for outsourcing will definitely grow in the future, especially in the investment funds and insurance area where the legal framework does not prevent it

- **The perspectives for the asset management sector are very good**. Strong economy and increasing wealth of individuals guarantee the long term flow of new money into asset management market. Short term situation will highly depend on the stock market performance as especially decisions of investment funds clients are still relatively short term and funds assets are quite volatile

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INSURANCE, PENSION AND INVESTMENT FUNDS - 3 MAIN SEGMENTS OF THE ASSET MANAGEMENT MARKET IN POLAND

Focus of this report

ASSETS MANAGEMENT MARKET IN POLAND BY SEGMENT, 2005

	Investment Funds	Pension Funds	Insurance Funds	Other
Description	• Net assets of open-end and closed investment funds, managed locally • Investment funds existing since 1992	• Net assets of pension funds • Pension funds operating since 1999 as a result of public pension system reform	• Investments (lokaty) of insurance companies (both life and non life) and assets of unit linked insurance funds	• Other funds under management including: - managed portfolios of private individuals - managed portfolios of corporate/public clients - 3rd pillar corporate and individual pension saving schemes
Number of funds and managers	• 194 funds managed by 23 fund managers	• 15 funds managed by 15 fund managers	• Funds of 67 insurance companies. Usually managed internally	• >930 active III Pillar (PPE) corporate pension programs • n/a individual portfolios
Assets under management	• 15,9 billion EUR	• 22,3 billion EUR	• 20,6 billion EUR	• N/A
Management outsourcing	• Yes	• No	• Yes	• Yes

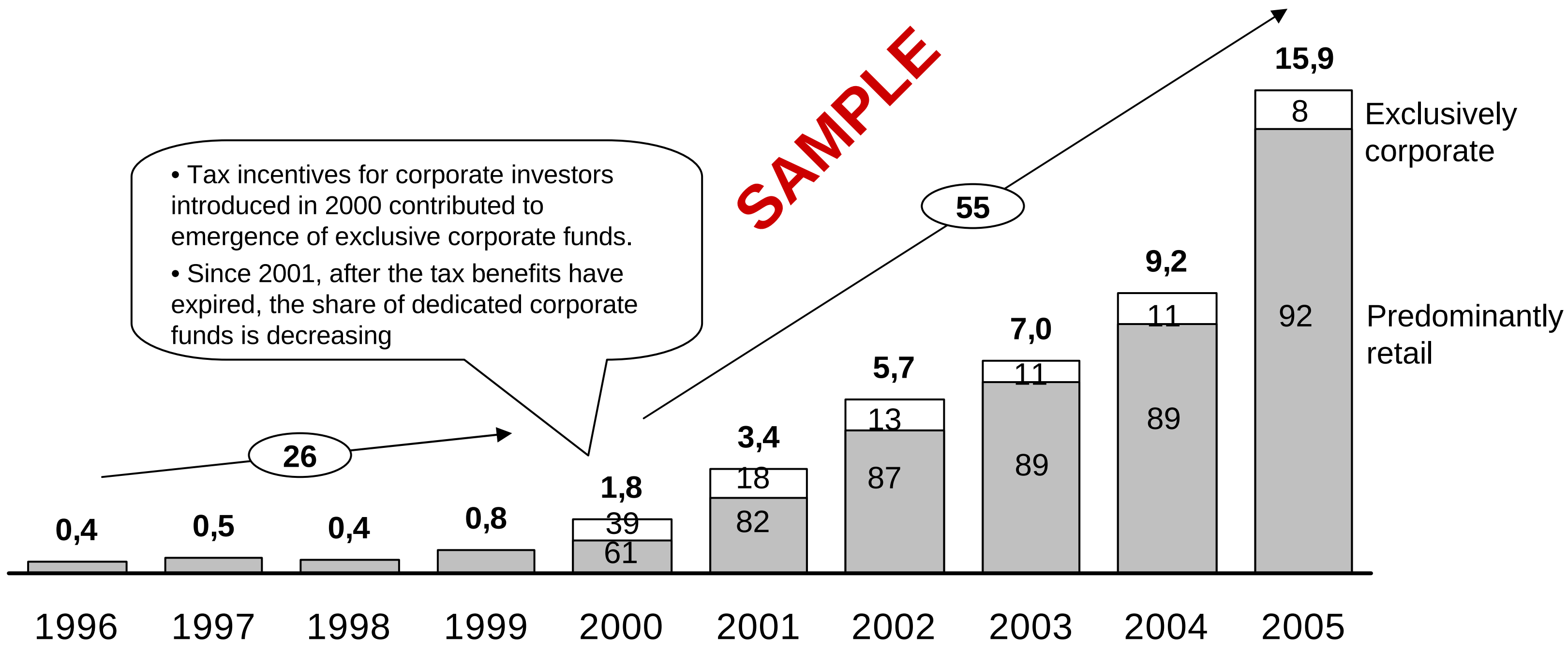
Source: KNUiFE, Intelace Analysis

INVESTMENT FUND ASSETS SURGE, TAKING THE LION PART OF RETAIL SAVINGS GROWTH

CAGR*

Investment fund assets, 1996-2005**

EUR billion, percent

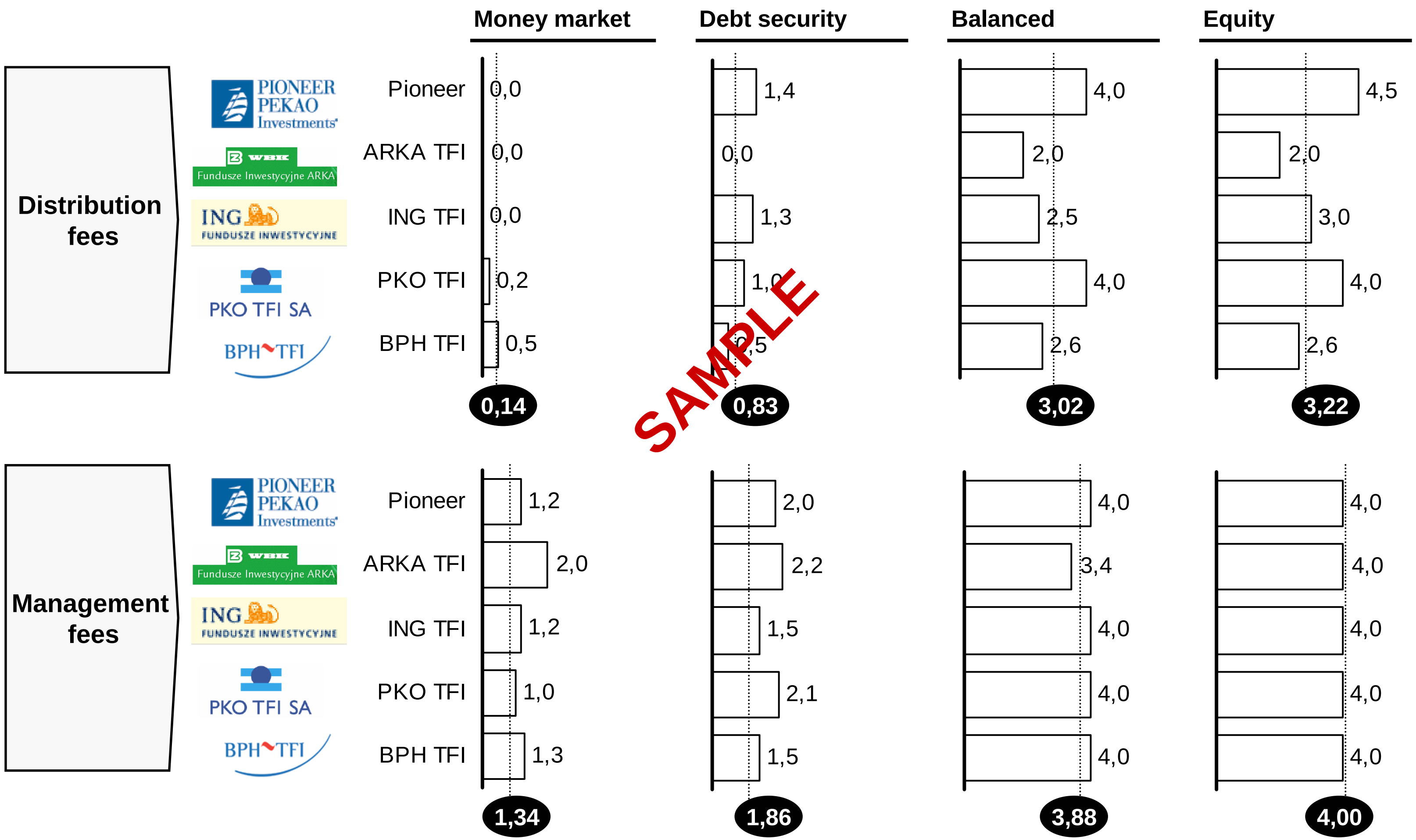


Per capita assets In EUR	**10**	**13**	**11**	**20**	**47**	**90**	**150**	**180**	**240**	**420**

* Compound Annual Growth Rate
** Funds managed locally only
Source: Intelace Analysis

COMMISSIONS CHARGED BY FUNDS ARE STILL HIGH

Distribution and Management fees for major funds in each asset class for top 5 players



* Other not associated banks and securities brokers, financial intermediaries
Source: Intelace Analysis

PIONEER PEKAO TFI – SHORT PROFILE

CAGR**

Background

- Pioneer is the oldest fund management company in Poland and is operating since 1992
- After the global acquisition by UniCredit group, Pioneer has merged with Eurofundusze – fund subsidiary of bank Pekao SA

Products

- Pioneer is offering a solid product portfolio based on local and foreign assets. Alternative investment options are still missing
- As of the end of 2005 Pioneer managed 21 various funds including corporate pension scheme for TP SA.

Channels:

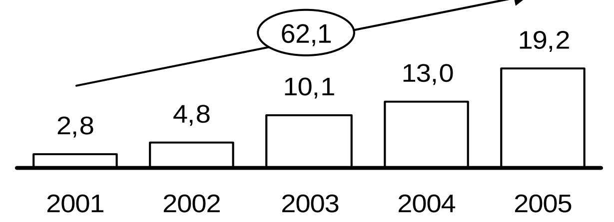
- Pioneer funds are sold almost exclusively through branches of Pekao bank and its subsidiaries (CDM brokerage and Xelion)
- The distribution network of Pioneer consists of ~930 POS

Customers

- As of the end of 2005, Pioneer served 806 thousand customers, mostly retail
- Average balance per account ~24000 PLN or 6200EUR

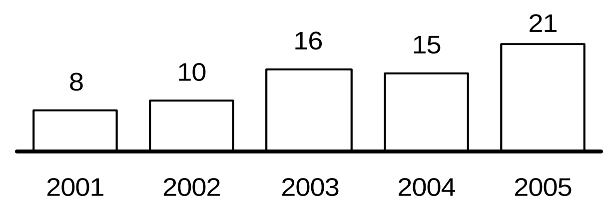
Results

Net Assets
PLN billion

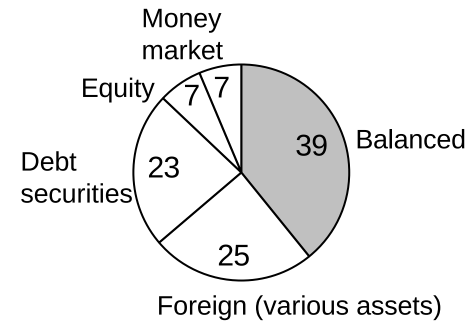


	2001	2002	2003	2004	2005
Market share* percent	23,1	20,9	30,4	34,5	31,3

Number of managed funds



Assets composition
percent



* Share in term of assets
** Compound Annual Growth Rate
Source: Company, Press, Intelace Analysis

NOTES ON METHODOLOGY

FX rates:

- As a general rule all "end of year" balances like: assets, deposits, loans and similar volumes have been converted from the local currency into Euro using **end of year** exchange rate
- All results achieved during a period of time like: profits, revenues, new sales etc. have been converted from the local currency into Euro using **average** exchange rate
- Exchange rates used in the report:

EUR / PLN	2000	2001	2002	2003	2004	2005
End of year	3,90	3,53	4,03	4,72	4,09	3,86
Average	4,02	3,68	3,85	4,40	4,53	4,03

Estimates and Forecasts:

- In some cases, recent or verified data was not available. Therefore, necessary short-term estimations have been done to fill the gaps. Estimates are always indicated with the letter "E"
- When preparing forecasts/estimates we have built models using latest observed trends, available forecasts of main economic indicators, seasonal changes observed in the past and other specific factors considered important

Multiple sources:

- In some cases multiple sources of similar data exist. In this situation we always try to select the most appropriate one /in our view/. The source is indicated in the footer area of each slide. Nevertheless in specific cases, before interpreting the data it is recommended to get understanding of the methodology

On this report

This report has been prepared using 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.

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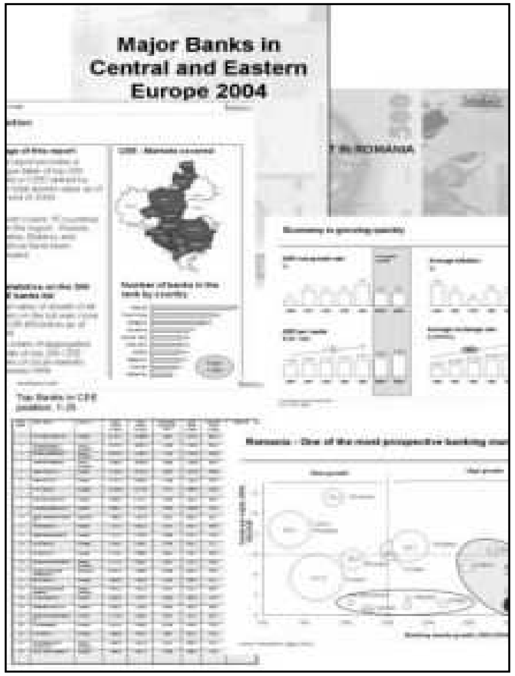

Available

- February 2006 - Banking market in Serbia
- April 2006 - Banking market in Poland

To be published soon

- June/July 2006 - Banking market in Ukraine

Asset Management Market in Poland 2006

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