

ASSET MANAGEMENT MARKET IN POLAND 2007



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EXECUTIVE SUMMARY – ASSET MANAGEMENT MARKET IN POLAND 2006

- **Market growth.** The asset management market kept growing at a very high rate in 2006. Very favorable development of equity markets combined with interest rates on record lows encouraged investors to pour new funds into various products offered by asset managers. In 2006 assets of investment funds jumped by 60% while pension and insurance assets increased by 35% and 22% respectively. Managed assets have increasingly replaced traditional savings – deposits.
- **High profitability.** Profitability of asset managers increased again in 2006. In case of investment fund managers quickly growing assets and margins at almost unchanged levels have driven the ROAE* to the highest ever level of 64%. Also pension managers, despite regulatory margin cap were able to increase their ROAE* to over 28%. In general no real pressure on margins could be observed so far in the asset management sector. For the moment excellent management results and high performance of managed assets makes high management fees acceptable for clients, however a downturn on the equity markets in the future could easily change this situation.
- **Innovation.** Together with the rapid market growth, fund managers and insurers introduce new products and innovate to draw attention of customers. Real estate, hedge funds, collection funds and umbrella tax friendly solutions are just few examples of products already available to investors. Also life insurers increasingly tend to sell fund-based products, providing in-house managed funds or repackaging 3rd party funds into long term investment schemes.
- **Future Outlook.** The mid-term outlook for asset management market is still very positive. Intelace Research expects that overall market will reach > PLN 620 billion (EUR 160 billion) in terms of managed assets until 2009 and will double against 2006. The key growth driver will be investment funds expected to reach PLN 223 billion in 2009.

* ROAE - Return on average equity

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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, 2006

	Investment Funds	Pension Funds	Insurance Funds	Other
Description	<ul style="list-style-type: none"> • Net assets of open-end and closed investment funds, managed locally • Investment funds existing since 1992 	<ul style="list-style-type: none"> • Net assets of pension funds • Pension funds operating since 1999 as a result of public pension system reform 	<ul style="list-style-type: none"> • Investments (lokaty) of insurance companies (both life and non life) and assets of unit linked insurance funds 	<ul style="list-style-type: none"> • Other funds under management including: <ul style="list-style-type: none"> - managed portfolios of private individuals - managed portfolios of corporate/public clients - 3rd pillar corporate and individual pension saving schemes
Number of funds and managers	<ul style="list-style-type: none"> • 262 funds managed by 24 fund managers 	<ul style="list-style-type: none"> • 15 funds 	<ul style="list-style-type: none"> • Multiple funds of 67 insurance companies. Usually managed internally 	<ul style="list-style-type: none"> • 3rd pillar (PPE) corporate pension programs
Assets under management	<ul style="list-style-type: none"> • 25.6 billion EUR 	<ul style="list-style-type: none"> • 30.2 billion EUR 	<ul style="list-style-type: none"> • 26.0 billion EUR 	<ul style="list-style-type: none"> • 3rd pillar (IKE) individual portfolios
Management outsourcing	<ul style="list-style-type: none"> • Allowed 	<ul style="list-style-type: none"> • Not allowed 	<ul style="list-style-type: none"> • Allowed 	<ul style="list-style-type: none"> • N/A

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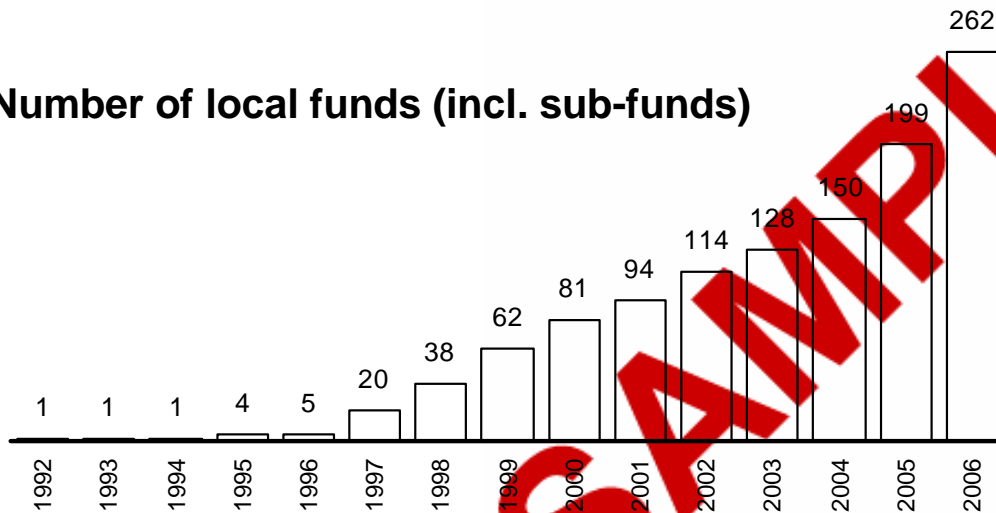
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THE NUMBER OF LOCALLY MANAGED INVESTMENT FUNDS IS CONSTANTLY GROWING

Number of local fund managers



Number of local funds (incl. sub-funds)



Average number of funds per fund manager

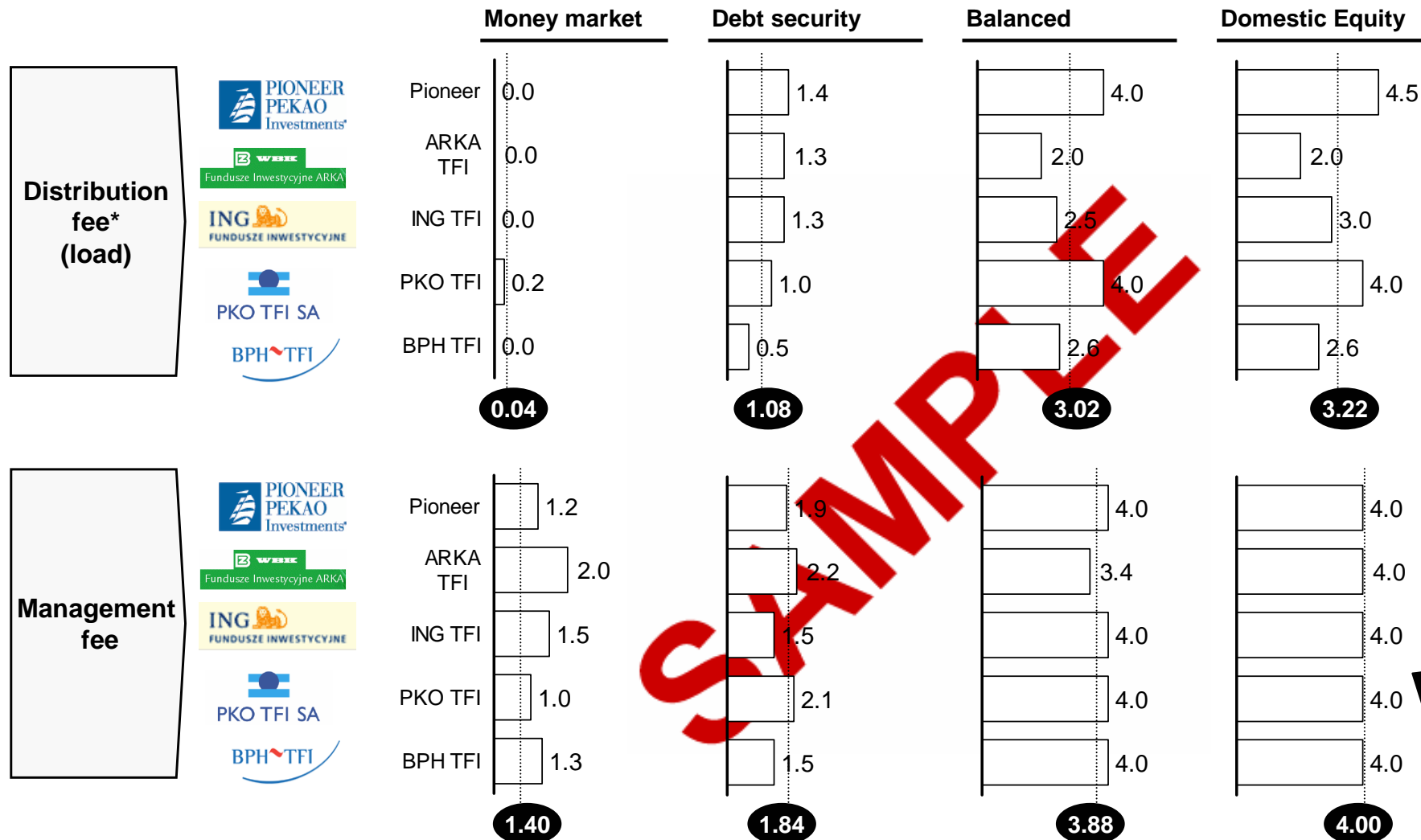


Investment funds business, 1992-2007

- 1992 The first locally managed investment fund set-up by Pioneer
- 1994 A downtrend on the stock market was contributing to market contraction. Many Pioneer clients have lost they money and quit the market for years
- 1997-2001 First wave of rapid market growth driven by the bull equity market
- 2001 Few fund managers disappear due to M&A activity; Introduction of capital gains tax encourages new clients to invest in funds in order to get the tax benefit. Banks aggressively start distribution of funds, converting client deposits into funds
- 2005-2007 Fund managers increase the choice of funds. Alternative investments, real estate, securitization and hedge funds emerge. Extremely good stock market and funds performance attracts new clients. Fund assets reach PLN 139 bn (EUR 37 bn) level*, number of clients approaches 4 million

COMMISSIONS CHARGED BY FUNDS DID NOT CHANGE SIGNIFICANTLY SINCE 2005 AND ARE STILL VERY HIGH

Distribution and Management fees by asset class for top 5 players
As of April 2007 in Percent



Management fees are very high and there is almost no competition

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* Standard fee: Transaction value equal to 10000PLN (2500EUR), funds held >12 months, funds acquired through traditional channel (home bank branch)

PIONEER PEKAO TFI – SHORT PROFILE

Background
<ul style="list-style-type: none"> Pioneer is the oldest fund management company in Poland and is operating since 1992 After the global acquisition by UniCredit group, Pioneer has merged in Poland with “Eurofundusze” funds Since 2004 market share of Pioneer has fallen significantly. One of reasons was excellent performance and flexibility of its close competitors (Arka and ING)
Products
<ul style="list-style-type: none"> Pioneer is offering a solid product portfolio based on local and foreign assets As of the end of 2006 Pioneer managed 26 various funds including corporate pension scheme for TP SA.
Channels:
<ul style="list-style-type: none"> The distribution network of Pioneer consists of ~1560 PC consisting of: Pekao and BPH banks, their brokerage outlets and a range of independent distributors
Customers
<ul style="list-style-type: none"> As of the end of 2006, Pioneer served almost 1 million customers, mostly retail Average balance per account is 6200EUR

Results														
<p>Net Assets PLN billion</p> <table border="1"> <tr> <td>Year</td> <td>2001</td> <td>2002</td> <td>2003</td> <td>2004</td> <td>2005</td> <td>2006</td> </tr> <tr> <td>Net Assets (PLN billion)</td> <td>2.8</td> <td>4.8</td> <td>10.1</td> <td>13.0</td> <td>19.2</td> <td>23.3</td> </tr> </table>	Year	2001	2002	2003	2004	2005	2006	Net Assets (PLN billion)	2.8	4.8	10.1	13.0	19.2	23.3
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<p>Number of managed funds</p> <table border="1"> <tr> <td>Year</td> <td>2001</td> <td>2002</td> <td>2003</td> <td>2004</td> <td>2005</td> <td>2006</td> </tr> <tr> <td>Number of funds</td> <td>8</td> <td>10</td> <td>16</td> <td>15</td> <td>21</td> <td>26</td> </tr> </table>	Year	2001	2002	2003	2004	2005	2006	Number of funds	8	10	16	15	21	26
Year	2001	2002	2003	2004	2005	2006								
Number of funds	8	10	16	15	21	26								
<p>Assets composition 2006, percent</p> <table border="1"> <tr> <td>Asset Class</td> <td>Percentage</td> </tr> <tr> <td>Balanced</td> <td>45%</td> </tr> <tr> <td>Foreign (various assets)</td> <td>21%</td> </tr> <tr> <td>Equity</td> <td>19%</td> </tr> <tr> <td>Debt securities</td> <td>10%</td> </tr> <tr> <td>Money market</td> <td>5%</td> </tr> </table>	Asset Class	Percentage	Balanced	45%	Foreign (various assets)	21%	Equity	19%	Debt securities	10%	Money market	5%		
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* Share in term of assets

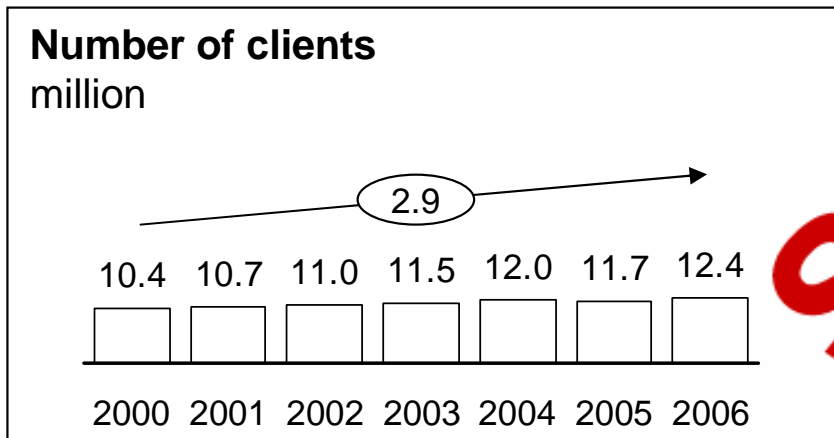
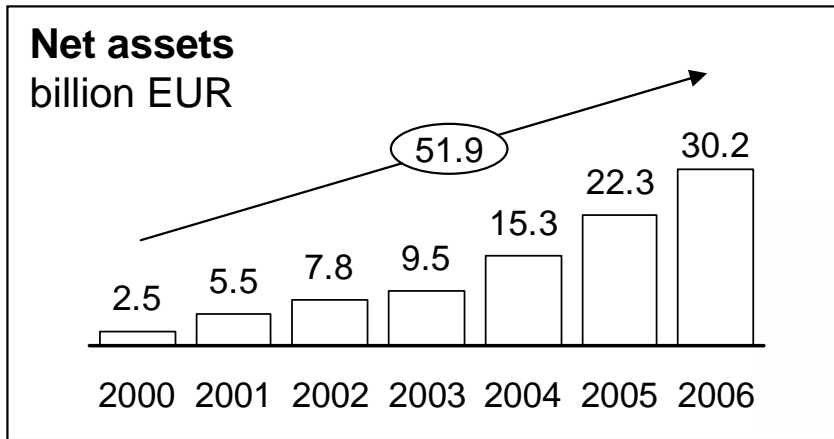
** Compound Annual Growth Rate

Source: Company, Press, Intelce Research

NUMBER OF PENSION MEMBERS IS STABLE. ASSETS PER ACCOUNT ARE GROWING FAST

CAGR* →

Pension funds assets and pension funds clients



Average client balance is increasing quickly

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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	2006	2007 H1
End of period	3.90	3.53	4.03	4.72	4.09	3.86	3.86	3.77
Average	4.02	3.68	3.85	4.40	4.53	4.03	3.91	3.85

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 a good understanding on the methodology of data collection.

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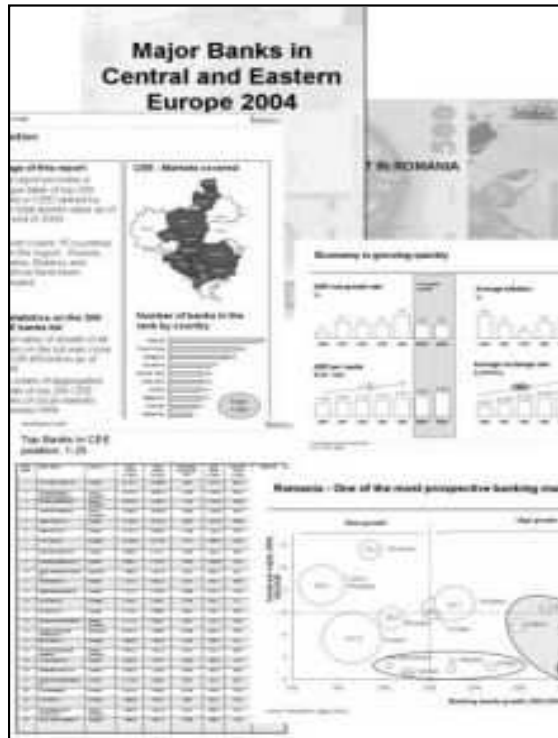
Through our customized research services we help our clients to better understand their consumers, competitors and overall market dynamics.

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

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