



Bank Polski

Financial results 1Q 2020

Accelerating digital transformation



Bank Polski

Key achievements in 1Q 2020



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- Efficient operation during a pandemic with attention to all stakeholders
- Net profit of PLN 503 million under the pressure
- Strong increase in net interest and F&C income
- High quality of the loan portfolio and low recurrent cost of risk
- Balance sheet total growth to PLN 365 billion

*Strong capital and liquidity position, cost effectiveness
and high quality of the loan portfolio will allow to face the challenges
of more difficult economic conditions*



- Strong position of the Polish economy
- Assistance programs and a high percentage of employees from abroad will limit the scale of unemployment increase
- After a deep decline in GDP in Q2'20, the next quarters will bring a gradual recovery



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Key achievements

1/4

KEY ACHIEVEMENTS

PKO Bank Polski supports stakeholders in the fight against the COVID-19 epidemic



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Business continuity and safety



64% of employees working remotely (home office)

Over 90% of branches open

Necessary protective measures for employees

Specially secured advisory positions in branches

Information campaign on work during pandemic for employees

Client support



Through electronic banking, almost 36 thousand clients of the **SME segment** received above **PLN 6 billion** from the PFR Financial Shield.

~ 75% of new business loan sales with **BGK de minimis guarantees** for small businesses

Suspension of loan repayments up to 6 months. Share in the volume of loans:

Retail: 9.0%

Business entities: 5.6%

Community



PLN 22.8 million for the fight against COVID-19 for hospitals, healthcare facilities and sanitation



336 500
face masks



16 270
tests



141
cars



9 000
pair of gloves



8 420
sanitary suits



1 210
helmets

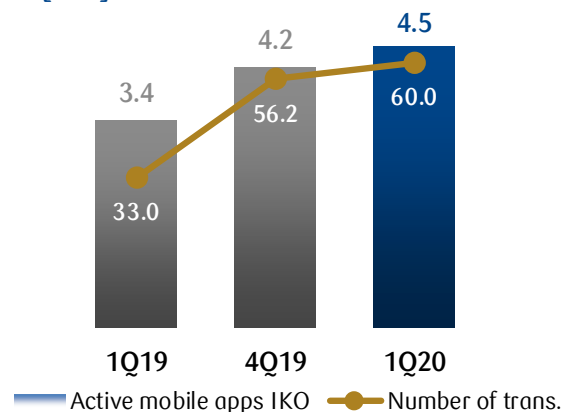
KEY ACHIEVEMENTS

Leader in the mobile banking market

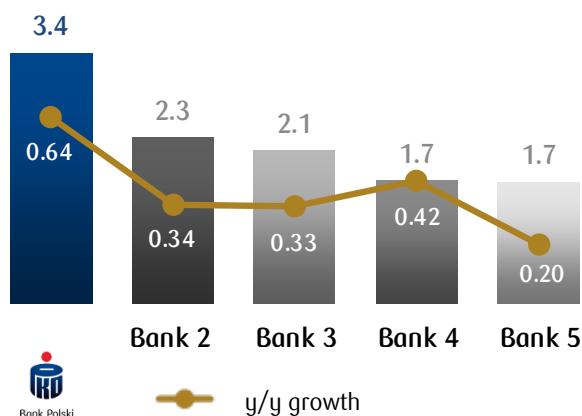


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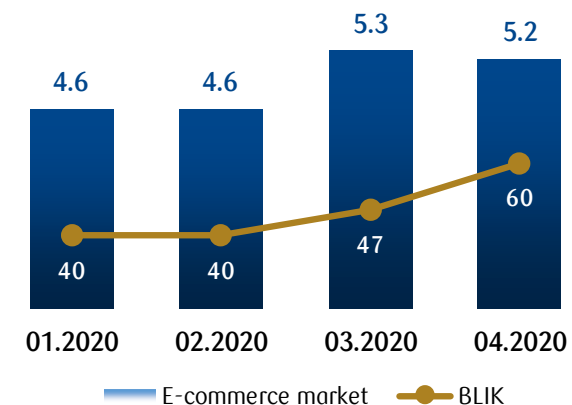
Number of IKO applications and number of transactions [mn]



Number of active mobile banking users⁽¹⁾ [mn]



Market share of BLIK in e-commerce [%] and the market volume [PLN bn]



★★★★★ 4.8/5 average customer rating in app stores

IKO invariably remains the most popular banking application on the market and the best rated banking app by users in Poland

⁽¹⁾ According to PRNews data for 4Q19, users who have logged in at least once a month from a mobile device (mobile application, lite version or full transactional service).



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KEY ACHIEVEMENTS

Talk2IKO: voice assistant leveraged by AI to improve navigating mobile banking app

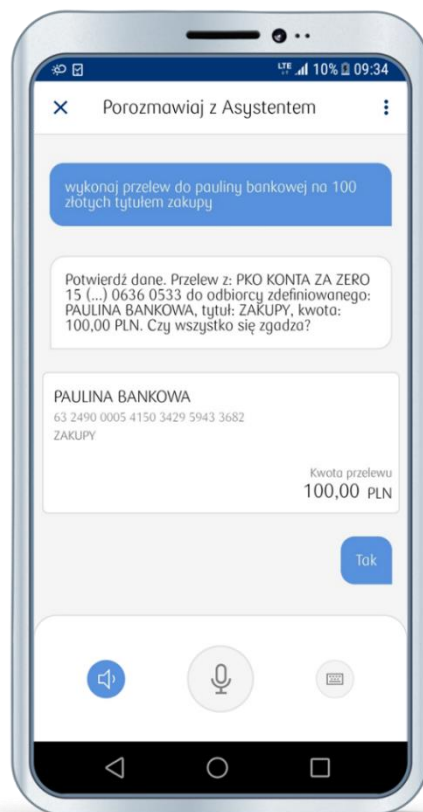
„You & AI”: ambitious implementation of AI and ML in three areas

Voice assistant understands **75** clients requests

Talk2IKO – voice assistant in mobile banking app

Automation of collection process in Contact Centre

„COVID-bot”: servicing frequent client's questions regarding topics associated with COVID-19 outbreak



7

Most used features

Transfer to defined user

Phone transfer/bank transfer

Phone top-up

History search

BLIK code

Balance

12

Clients' requests

My Bank – Card/Account/Loan/Deposit/Currency Exchange

New products offering

Payments

Notifications and settings

56

FAQ, small talk, others

Show defined contacts

Open phone book

Bug report & complaint process

Questions: How does BLIK work? How to add a defined user?



IKO



iPKO



www/
Facebook



Call center
pomoczenia



Call center
obsługa



Call center
sprzedaż

KEY ACHIEVEMENTS

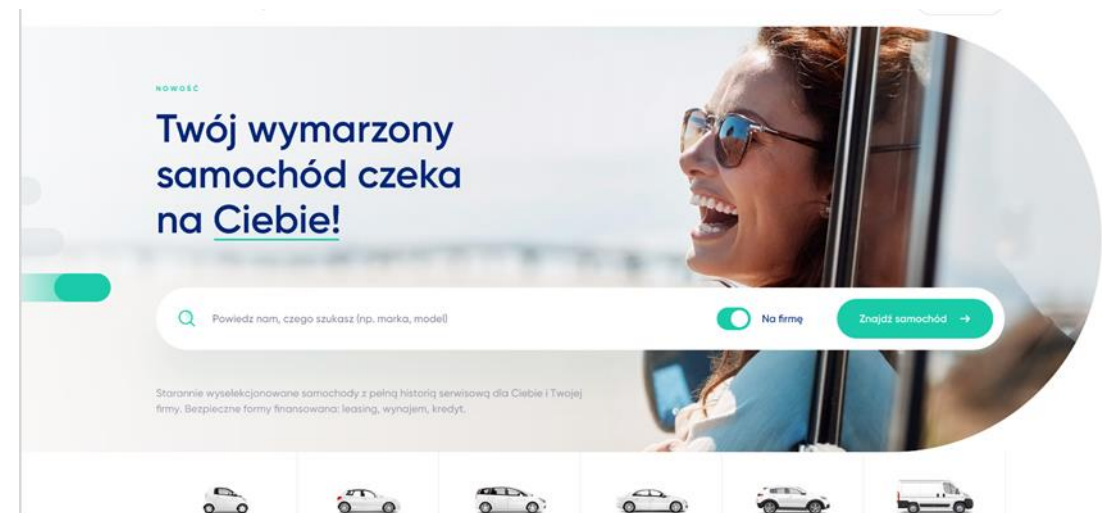
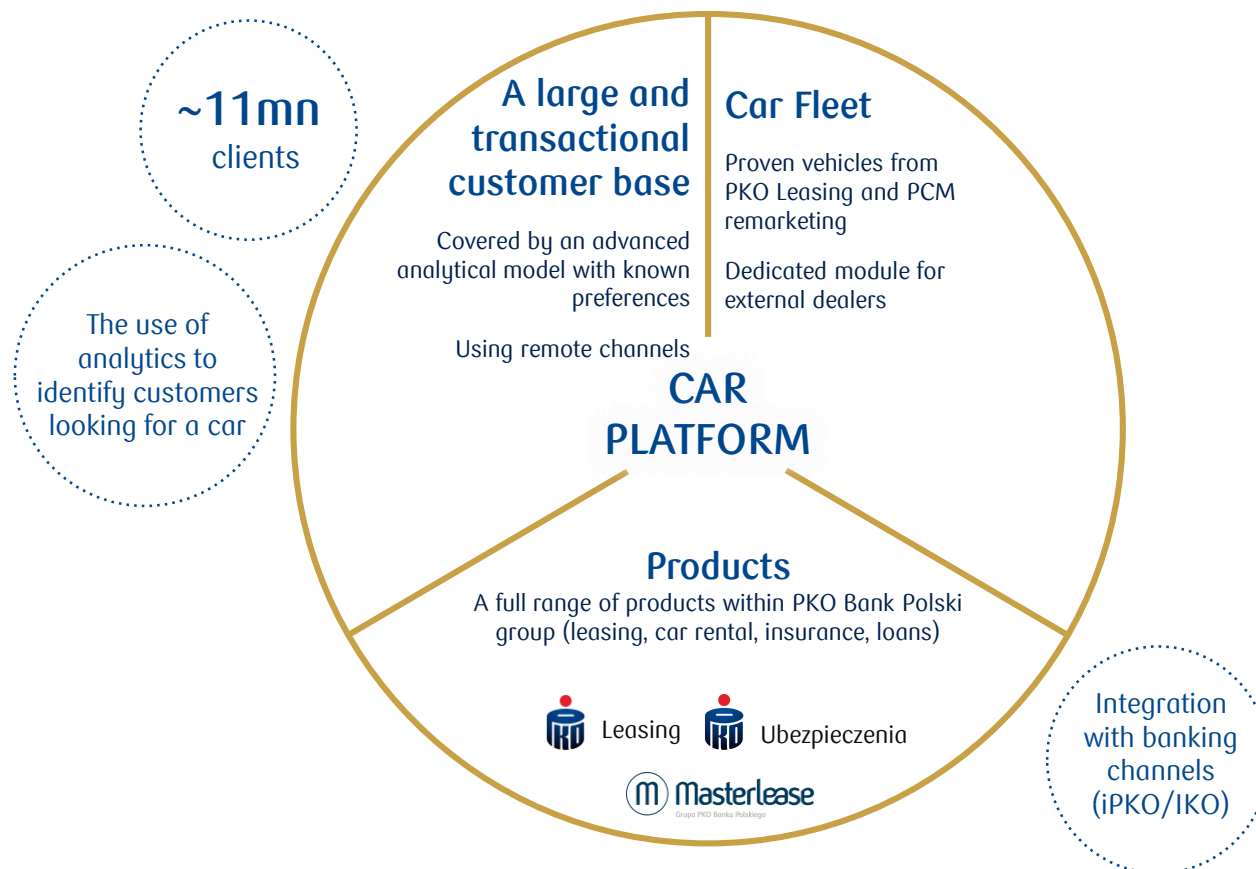
Car platform: planned launch at the end of the 2Q 2020



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PKO Bank Polski is well positioned to capture the market opportunity

Currently work is underway to deploy the platform (end of 2Q 2020)



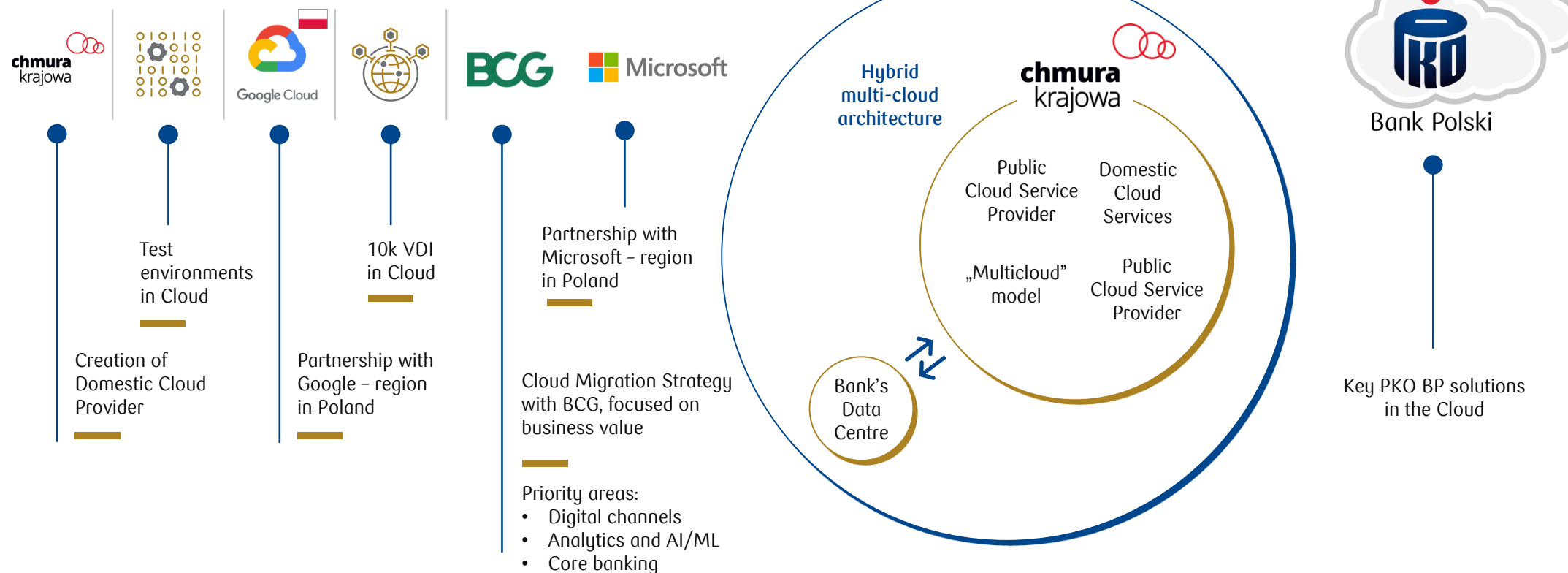
KEY ACHIEVEMENTS

Our Road2Cloud strategy

.. 2018 2019 2020 2020-2022 ➔

Road to the Cloud

Bank in the Cloud





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Business activity

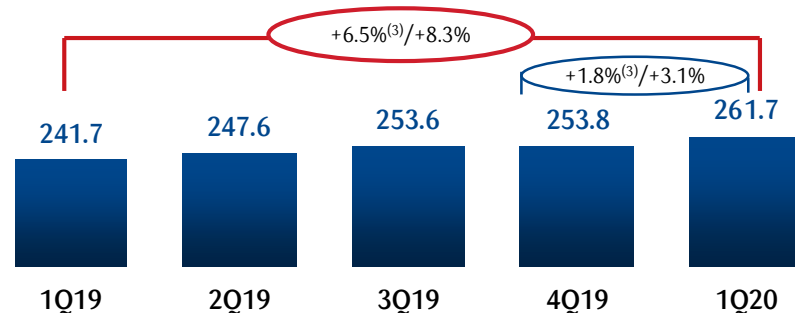
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Dynamic growth of scale of business operations

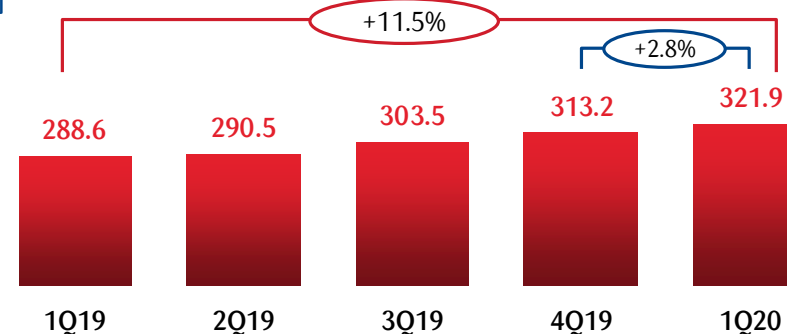


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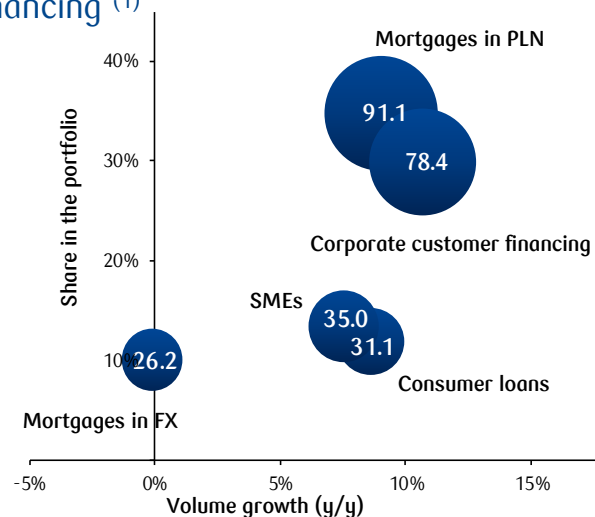
Gross customer financing ⁽¹⁾
[PLN bn]



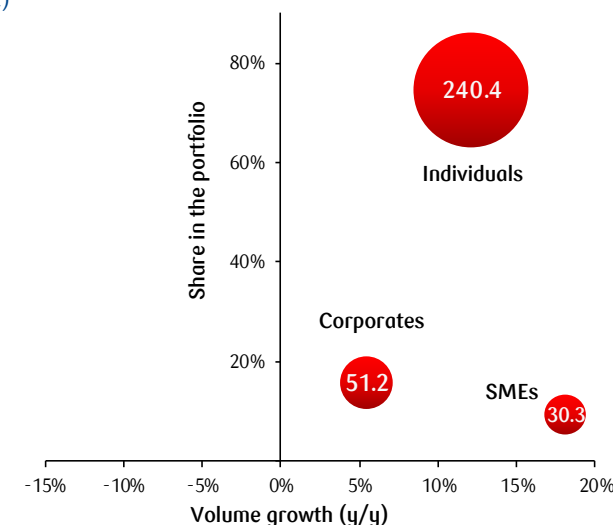
Customer savings ⁽²⁾
[PLN bn]



Gross customer financing ⁽¹⁾
[PLN bn]



Customer savings ⁽²⁾
[PLN bn]



(1) Includes loans, corporate and municipal bonds, leasing and factoring (but excludes repo transactions).

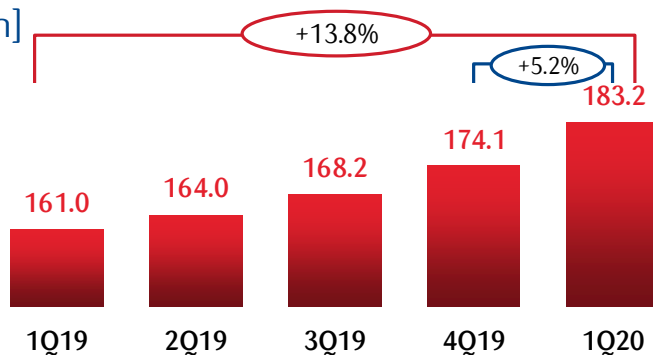
(2) Includes deposits, TFI (mutual funds) assets and treasury savings bonds.

(3) Impact of PLN depreciation, PLN +3.6 billion y/y and PLN +3.3 billion q/q.

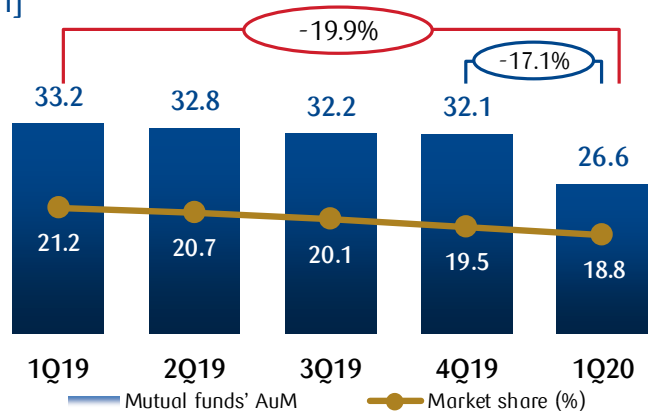
BUSINESS ACTIVITY

Households: PKO BP Group is leading the savings and retail investment market

Deposits
[PLN bn]



Mutual funds' AuM ⁽¹⁾
[PLN bn]



— Mutual funds' AuM

— Market share (%)

(1) Non-dedicated assets.



Strong growth in client deposits

The change in customer saving preferences translated into strong deposit growth, with a significant decrease in AuM invested in mutual funds. At the same time, the Bank adjusted the interest rates on saving accounts and term deposits to current market conditions.



Shopping with BLIK in on-line currency exchange

PKO Bank Polski is the first bank to enable customers to pay for currency in a currency exchange with BLIK - also from an account in another bank. Over half a million users use the currency exchange on-line, 75 percent of which transact via the mobile application.



Increase in savings invested in State Treasury bonds

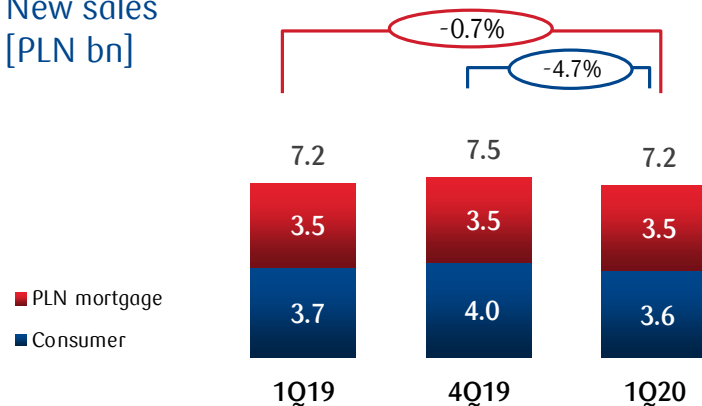
At the end of 2019, retail customers invested PLN 30.6 billion (+50% y/y) in State Treasury savings bonds. In April, monthly sales reached a record level of PLN 5.4 billion.

Households: slowdown in sales of consumer loans



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Consumer and mortgage loans

New sales
[PLN bn]Volume outstanding ⁽¹⁾
[PLN bn]#signfromhome - qualified electronic signature
mSzafir for the client convenience

mSzafir is a qualified electronic signature using cloud technology - it is equivalent to a hand-written signature. It can be used to sign contracts, make representations and applications without leaving home.



Free card in place of cash

The Instant card is a solution for those who do not have a standard account card and withdraw cash at the bank's cashier desks.



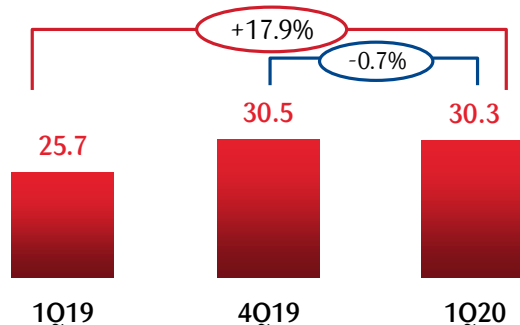
Over 100 thousand motor insurance products sold

Car insurance from the offer of leading companies on the market can be bought without leaving home on the iPKO website, IKO mobile application or using the telephone service. Within the next two years, the Bank plans to increase to 500 thousand policies sold.

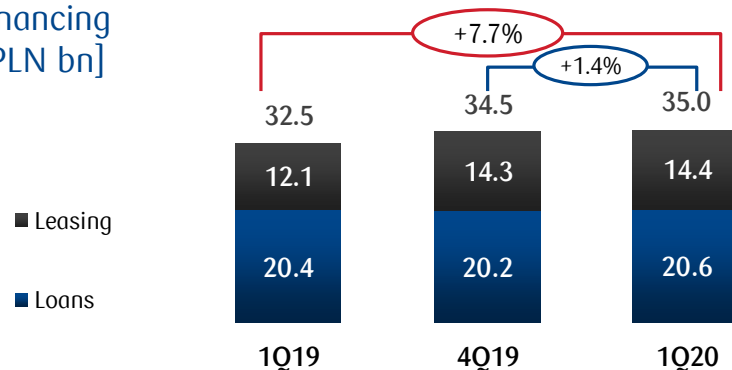
BUSINESS ACTIVITY

Small & medium enterprises: active remote channels assist our clients in the struggle with recession

Deposits
[PLN bn]



Gross customer
financing
[PLN bn]



Free access to Autenti authentication service

On the site, you can remotely sign documents and archive on any medium. Autenti guarantees their authenticity and security - the documents are encrypted by cryptographic algorithms. The promotion lasts until mid-June. PKO Bank Polski participated in Autenti's recent financing round and became a minority shareholder.



Video advisor for companies at PKO Bank Polski

The bank has launched the option of arranging a video meeting. The client fills out a simple and very short form on the website, and then receives a text or email with the date and time of the meeting. The solution was created in cooperation with the National Cloud Operator, whose shareholder is PKO Bank Polski.



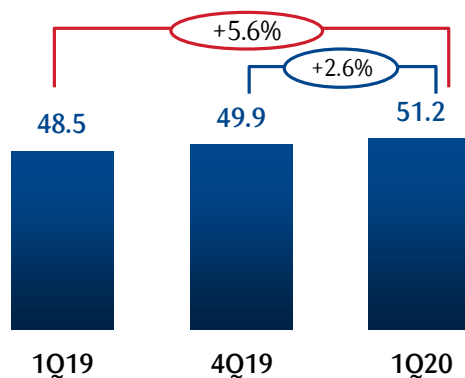
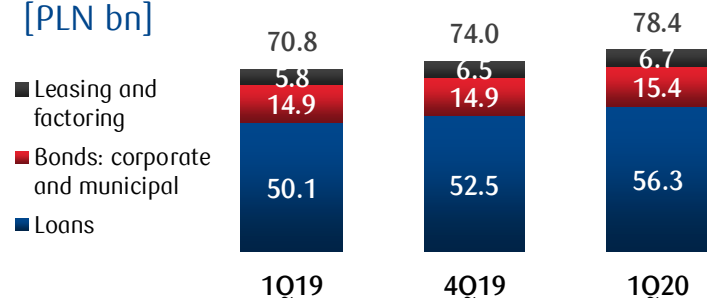
Applications for PFR subsidies in electronic banking

The PFR Financial Shield is a government program to help companies maintain financial continuity during coronavirus outbreak. The application can be submitted through iPKO business or iPKO electronic channel. 36 thousand clients have been granted subsidies of over PLN 6 billion.

Corporate and investment banking: full range of product solutions



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Deposits
[PLN bn]Gross customer
financing
[PLN bn]

#biznesprzezinternet – PKO Bank Polski for corporates and municipalities

The Bank has significantly extended possibilities to use a qualified signature in almost all areas of cooperation with corporate and local government clients as well as with subsidiaries.



PLN 18 billion for the corporate clients from the Liquidity Guarantee Fund run by BGK

The Fund provides support to companies affected by the COVID-19 pandemic. The guarantee covers up to 80% of the working capital loan amount, and the maximum financing amount for one enterprise is PLN 250 million.



Brokerage House

The value of trading on the secondary market reached nearly PLN 10 billion (7.3 percent of trading market), which was the second best result among brokerage houses. Revenues from brokerage activities rose by 91% y/y.



Tender Offer
PLN 94 413 578
Tender Agent



SPO
PLN 506 900 000
Global Coordinator
Joint Bookrunner



ABB
PLN 111 208 494
Global Coordinator
Joint Bookrunner



Porty Lotnicze

Acquisition of 96.7% of PHZ
Baltona SA by „Porty Lotnicze”
PLN 33 348 439
Bond issue and purchase
PLN 175 000 000
Transational, financial advisor
and tender agent



Bonds public offer

PLN 50 000 000
Global Coordinator
Offering Agent



Acquisition of 80%
of Energa SA shares by PKN
Orlen SA
PLN 2 766 464 235
Transational, financial advisor
and tender agent



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Financial results

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Net profit at the level of PLN 503 million

Strong growth in NII and F&C

Maintenance of cost efficiency (C/I 42.4%)

Provisions under the pressure of COVID-19

Strong capital and liquidity position bolsters resistance to recession

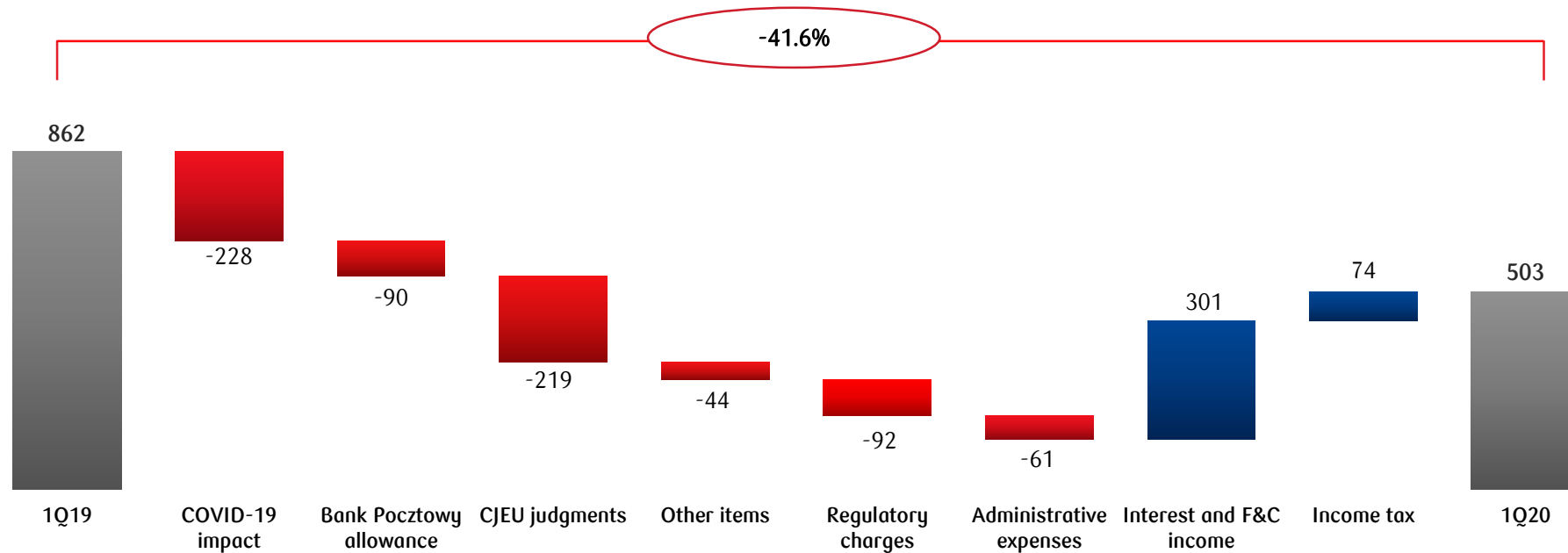


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FINANCIAL RESULTS

Quarterly net profit of PLN 503 million

Change of net profit
[PLN mn]



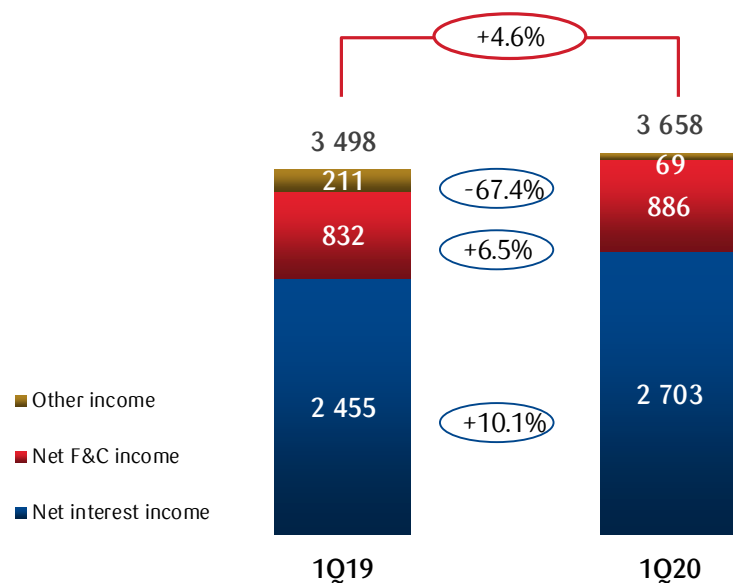
FINANCIAL RESULTS

Increase in revenues due to a strong growth in NII and F&C

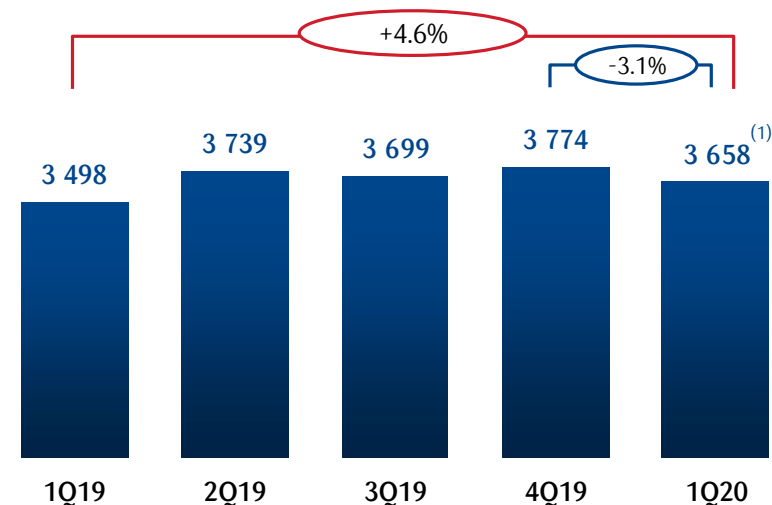


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Result on business activity
[PLN mn]



Quarterly result on business activity
[PLN mn]



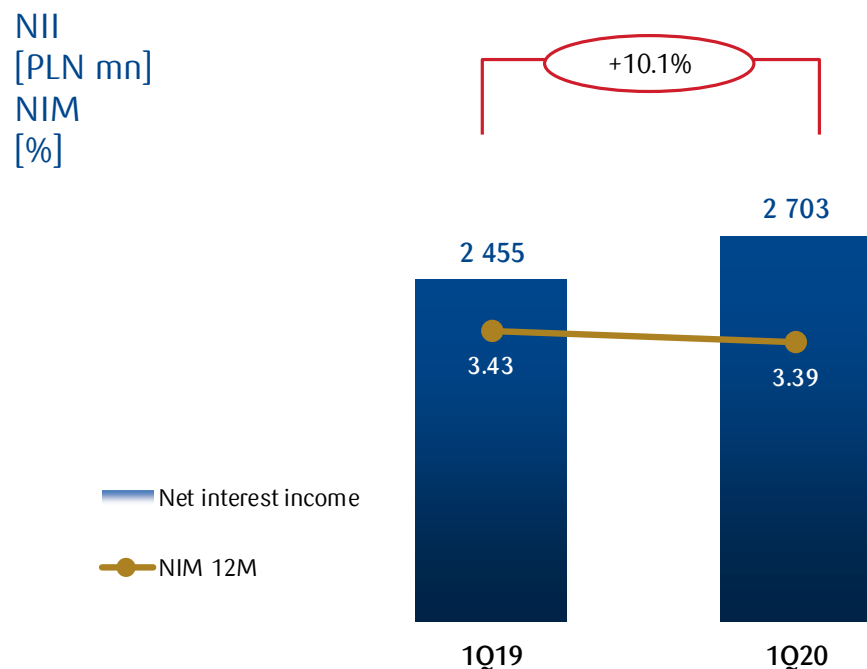
⁽¹⁾ The quarterly result on business activity was mainly affected by a decrease in net result in financial instruments measured at fair value through profit or loss including VISA shares' revaluation, PLN -55 mn.

FINANCIAL RESULTS

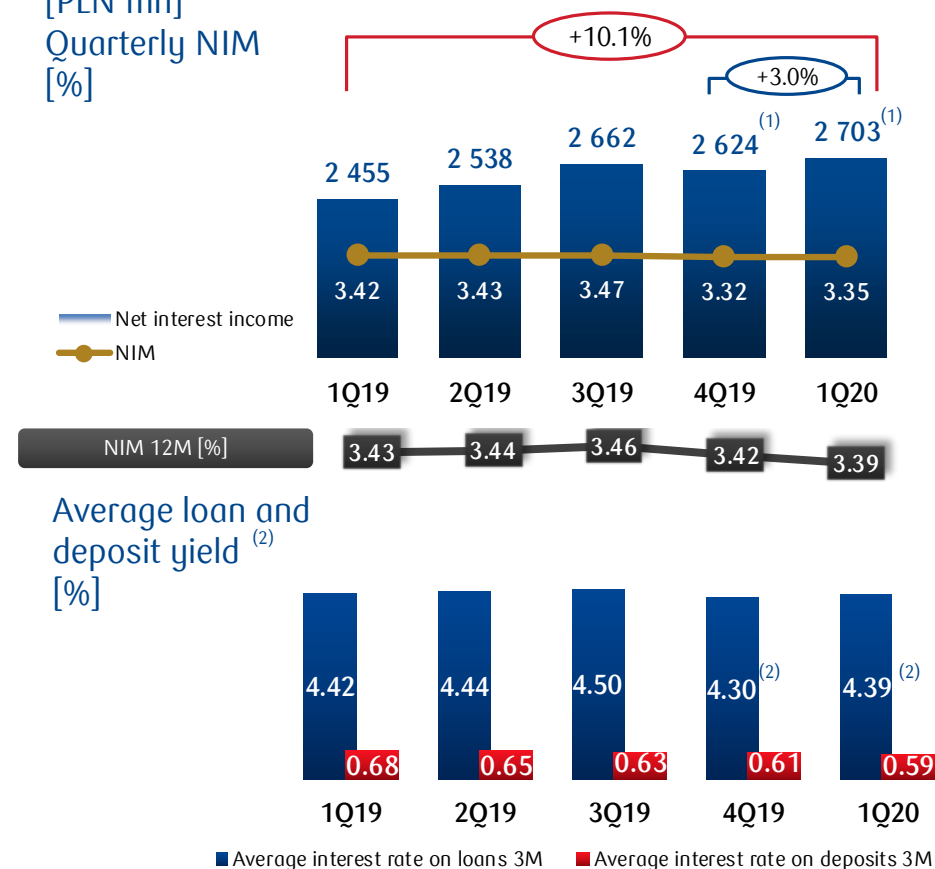
High level of net interest income



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Quarterly NII [PLN mn]
Quarterly NIM [%]

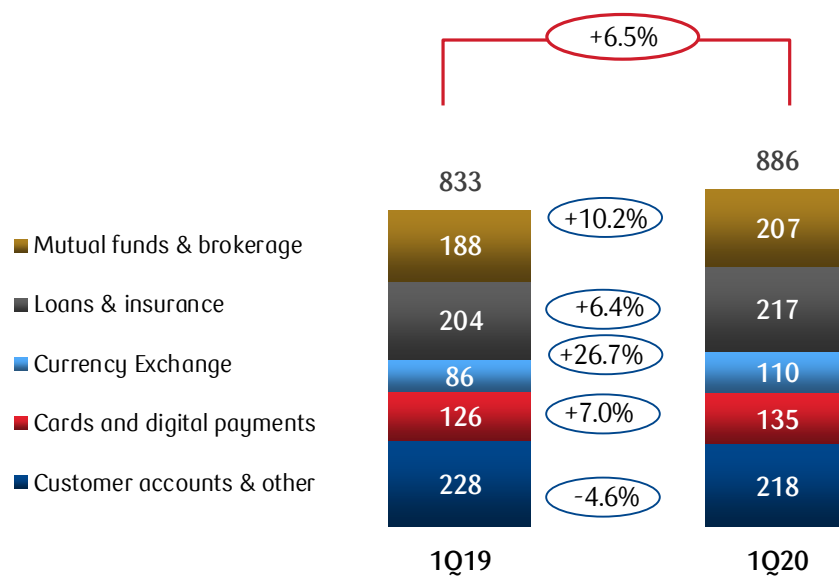
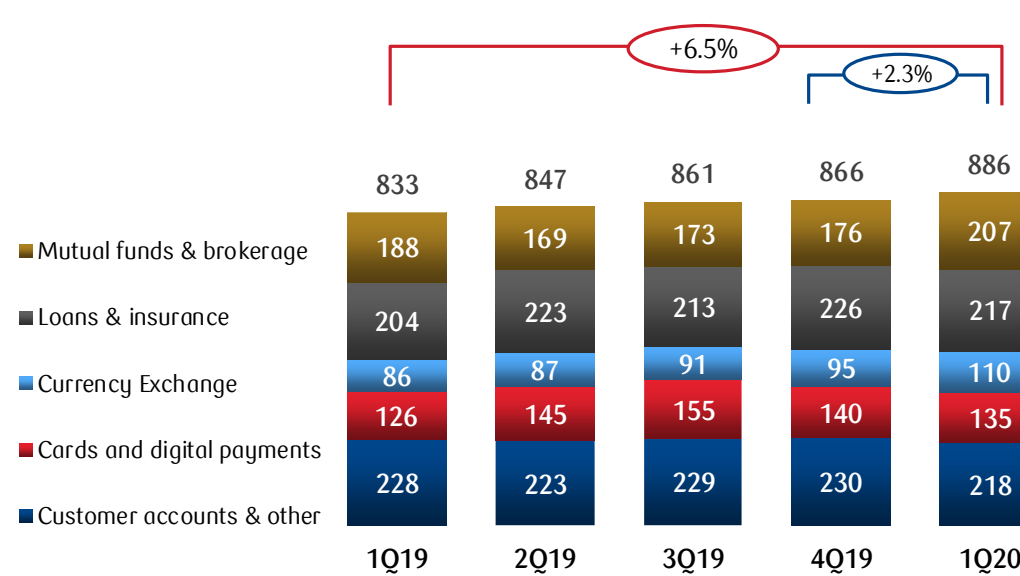


⁽¹⁾ Exclusive of refunds of origination fees for early repayment of retail loans:

- In 4Q19 NII would stand at PLN 2 802 mn while quarterly NIM at 3.55%, other one-off events correspond to PLN +42 mn, i.e. 5 bps,
- In 1Q20 NII would stand at PLN 2 771 mn, while quarterly NIM at 3.44%.

⁽²⁾ Exclusive of refunds of origination fees for early repayment of retail loans average loan yield would amount to 4.59% in 4Q19 and 4.50% in 1Q20.

Strong net fee and commission result

Net F&C
[PLN mn]Quarterly net F&C
[PLN mn]

- Since 1Q20, commission on currency exchange by customers, previously recognized in the result on foreign exchange, has been reclassified to the commission result.
- The increase in brokerage commissions in 1Q20 was associated with a change in the structure of stock trading - more than a twofold increase in retail clients' turnover, for whom commissions are higher than for institutional ones.

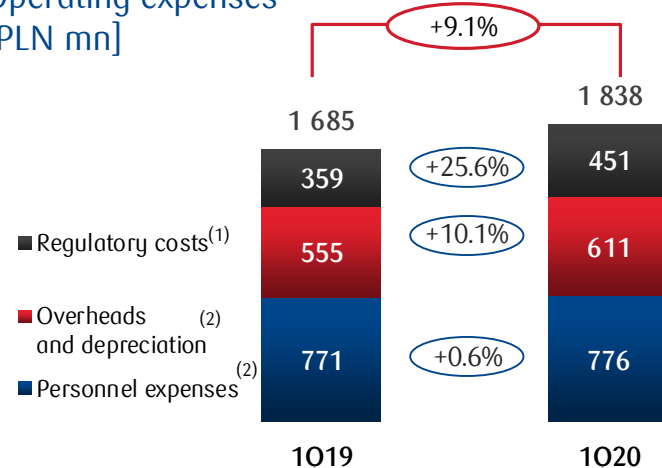
FINANCIAL RESULTS

Strong cost discipline

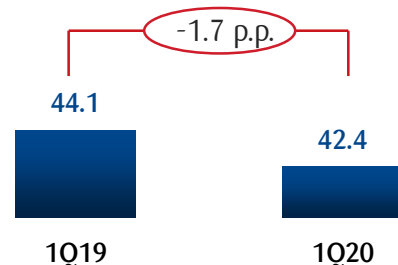


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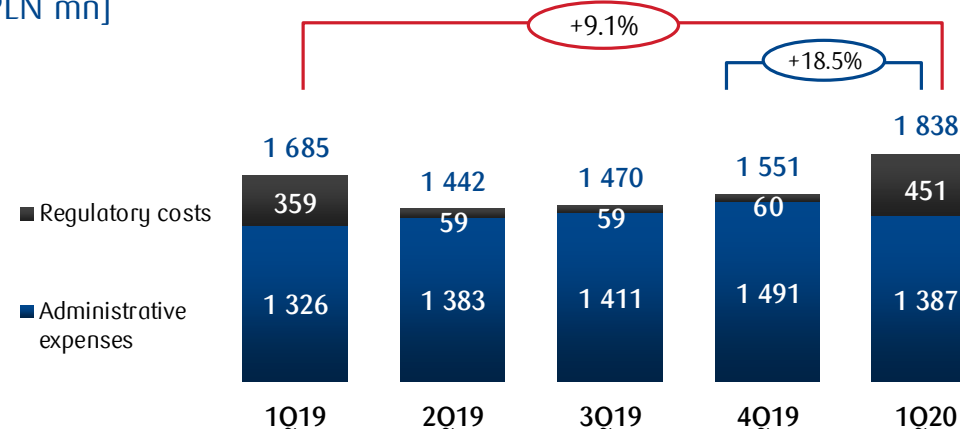
Operating expenses
[PLN mn]



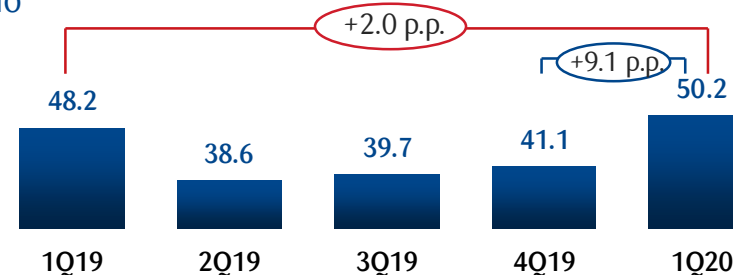
Cost/Income
12M
[%]



Quarterly operating expenses
[PLN mn]



Quarterly C/I ratio
[%]



High discipline in costs remaining under the management control of PKO Bank Polski

⁽¹⁾ Regulatory costs include contributions and payments to BFG, PFSA, taxes and other fees. Increase in y/y contributions to BGF by PLN 13 mn (increase in y/y contributions to the deposit guarantee fund by PLN 43 mn, with a decrease in the fee for the resolution fund by PLN 30 million). Increase of PLN 88 mn y/y in tax costs due to the release of the provision in 1Q19 (low base effect). A decrease in the fee for the PFSA supervision by PLN 9 mn y/y.

⁽²⁾ The effect of PCM acquisition on operating expenses represented PLN -54 mn, out of which depreciation PLN -39 mn, personnel expenses PLN -12 mn, overheads PLN -4 mn.

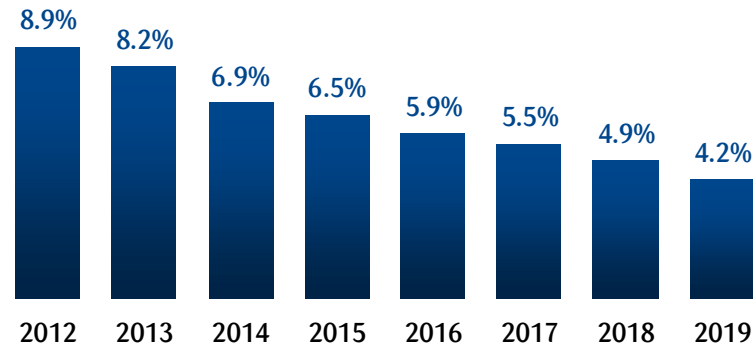


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FINANCIAL RESULTS

Credit portfolio of PKO Bank Polski: high resilience to COVID-19

Share of loans with recognised impairment

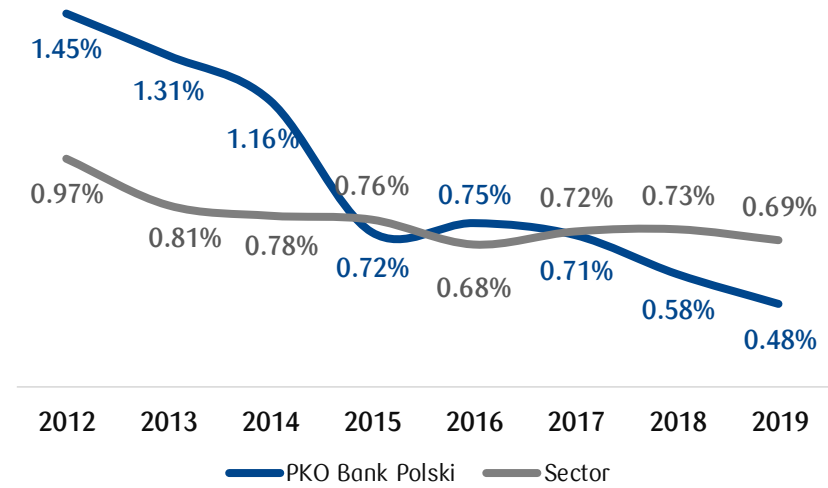


- Limited risk appetite on the riskiest groups of clients:
 - Limited liability companies,
 - Sole traders.
- Development of *pre-approved* processes
- Change of structure and source of financing:
 - increase in coverage of guarantees of BGK
 - increase in financing through leasing
- Use of data analytics to assess corporate clients
- *Machine learning* – increase in effectiveness of risk models
- Centralized and automated debt collection and restructuring processes – focus on short delays in repayment

The record low share of loans with recognized impairment.

Advanced methods of credit risk management is reflected in low level of cost of risk.

Cost of risk



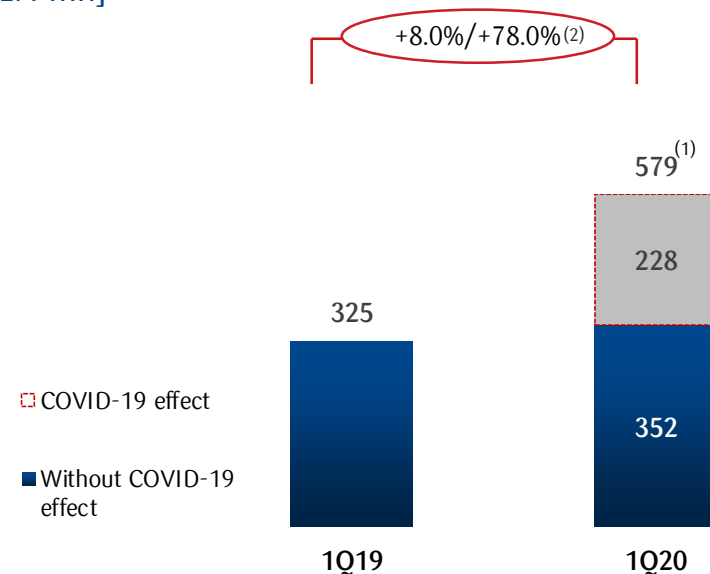
FINANCIAL RESULTS

Low cost of risk

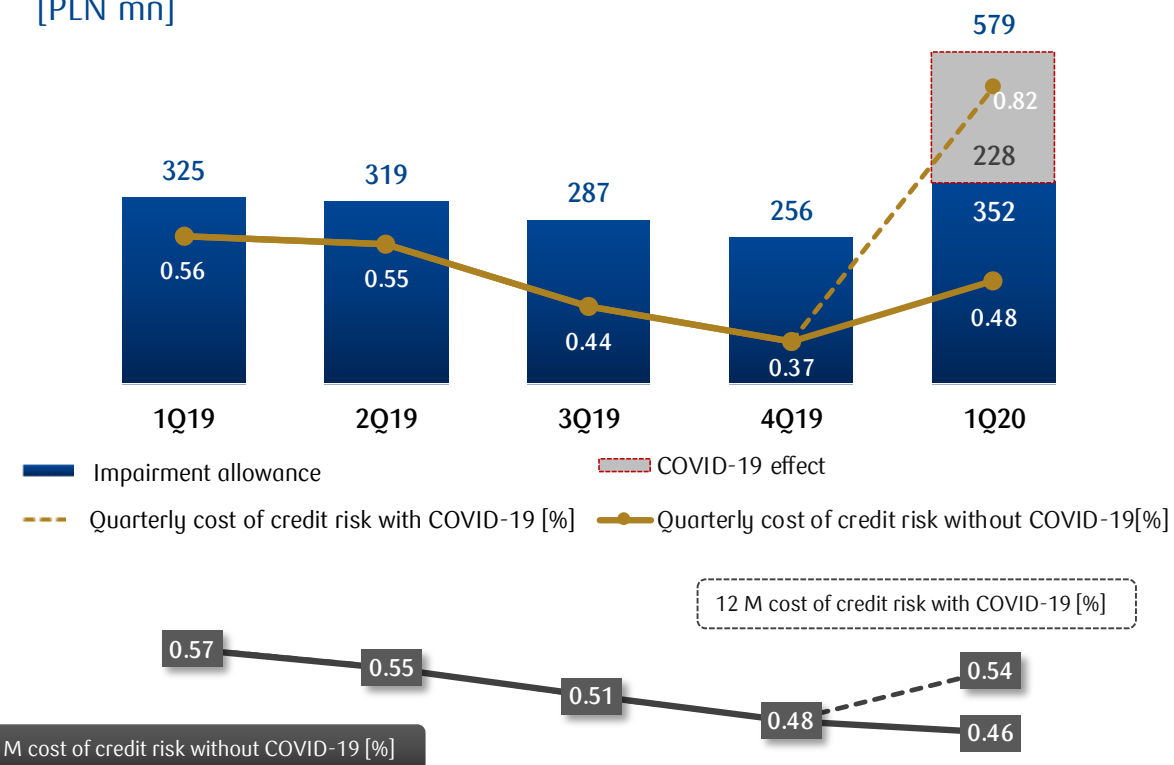


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Net impairment allowance
[PLN mn]



Quarterly net impairment allowance
[PLN mn]



(1) Impairment allowances cover the portfolio of loans measured at fair value through P&L (the reclassification in 3Q19). Additionally, impairment of non-financial assets in 1Q20 amounted to PLN -100 mn (including Bank Pocztowy). In 4Q19, impairment of non-financial assets amounted to PLN -83 mn (including PTE amounting to PLN -51 mn).

(2) Dynamic includes the COVID-19 effect.

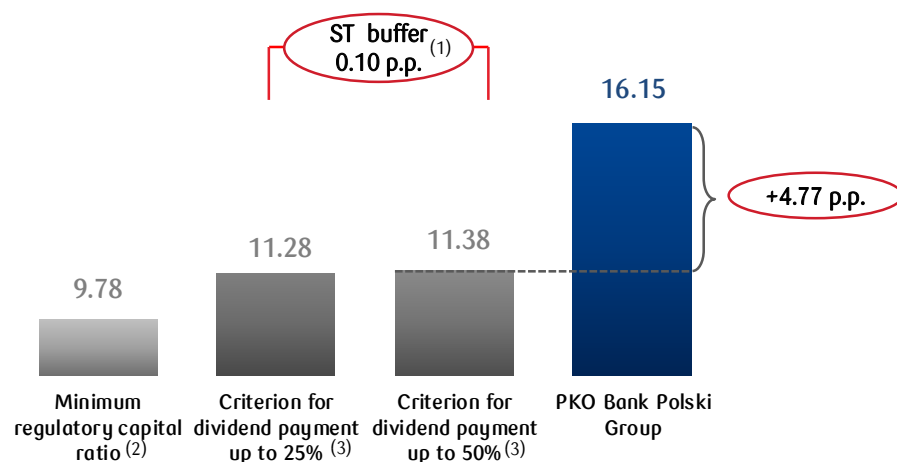


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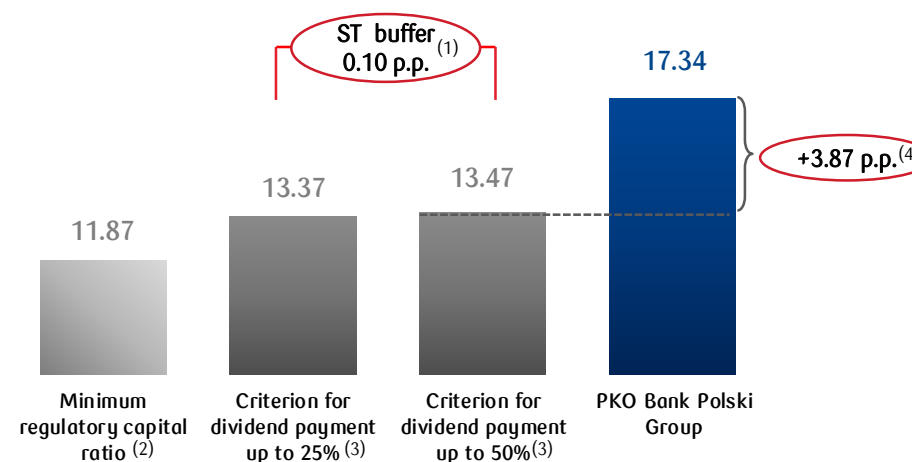
FINANCIAL RESULTS

Solid capital position – surplus capital at the level of nearly PLN 12 billion

Capital requirements (T1)
[%]



Total capital ratio (TCR)
[%]



High dividend capacity dependent on regulatory issues

(1) Polish FSA's additional buffer for Bank's sensitivity to an adverse macroeconomic scenario. Previously the level of buffer was 0.66 p.p.

(2) T1: CRR 6% + systemic risk buffer 2.88% + conservation buffer 2.5% + OSII buffer 1% + countercyclical buffer 0.01% + FX buffer for the Group 0.27%

TCR: CRR 8% + systemic risk buffer 2.88% + conservation buffer 2.5% + OSII buffer 1% + countercyclical buffer 0.01% + FX buffer for the Group 0.36%

(3) Having considered dividend payment adjustments for the following criteria:

K1 - share of the foreign currency mortgages for households in total receivables from non-financial sector (1Q20: 13.46%; +0.37 p.p. q/q; -1.14 p.p. y/y) - adjustment by -20 p.p. (for >10% share),

K2 - share of the foreign currency mortgages granted in 2007/08 in total portfolio of foreign currency mortgages in PKO Bank Polski (1Q20: 45.84%; +0.31 p.p. q/q; +0.28 p.p. y/y) - adjustment by -30 p.p. (for >20% share if K1>5%).

(4) Own funds above the dividend criteria (surplus capital stands at about PLN 9 bn). The recognition of remaining part of 2019 net profit in own funds results in increase of TCR by 1.3 p.p. and surplus capital by PLN 3 bn.



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Accelerating digital transformation

Immensely strong capital and liquidity position



Current profitability and cost of risk under the pressure of COVID-19 and its consequences



Digital channels ensure safe banking – National Cloud Operator as an accelerator of digital transformation



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Supplementary
information,
including
macroeconomic
backdrop

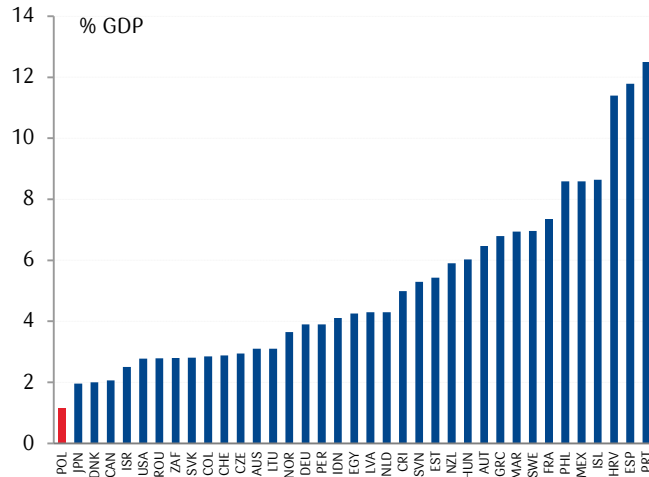
Poland's economy well prepared for the crisis



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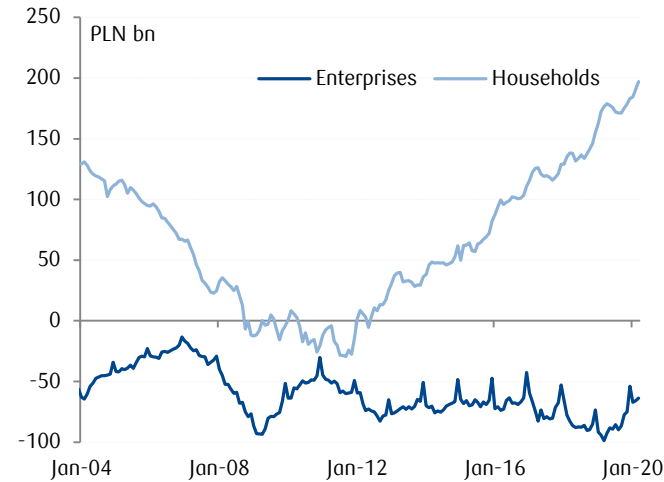


The share of tourism in the GDP



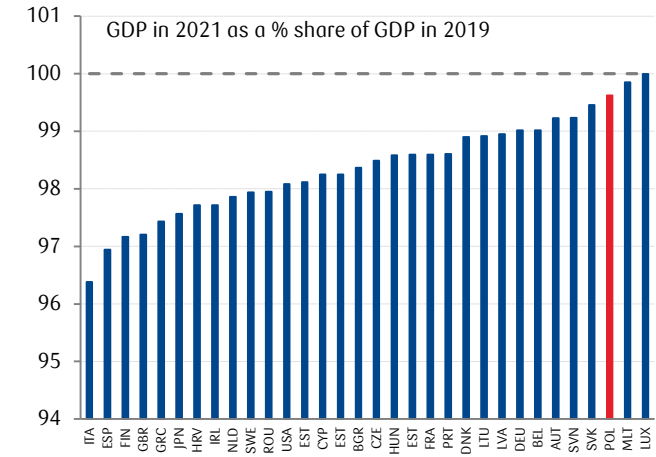
Source: OECD, PKO Bank Polski

The difference between deposits and loans



Source: NBP, PKO Bank Polski

European Commission: the recession in 2020 in Poland will be the shallowest in the EU



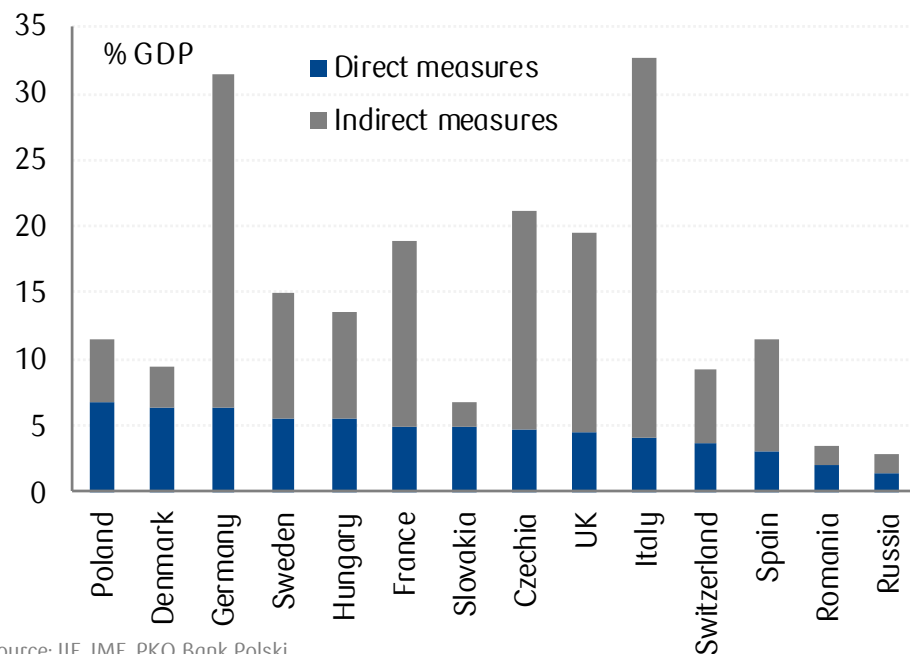
Source: EC, PKO Bank Polski

- The competitive and diversified economy, as well as macroeconomic stability and one of the largest anti-crisis packages in Europe are key factors behind relatively favorable economic forecasts for Poland. However, the magnitude of the current shock in the global economy is so large that there is no doubt that the COVID-19 pandemic has ended the 28-year period of an uninterrupted economic growth in Poland.
- The key strengths of the Polish economy in face of the current crisis are: (1) large fiscal space (low public debt to GDP ratio as compared to the EU average); (2) current account surplus and increased international competitiveness; (3) relatively strong liquidity position of households and enterprises; (4) relatively small share of sectors most severely affected by the crisis (tourism as well as hotels and restaurants); (5) high importance of relatively resilient sectors (food processing, modern business services, construction); (6) the status of a net importer of commodities; (7) relatively good epidemic situation (with a quickly implemented but short lockdown).
- The European Commission forecasts (similarly to many other institutions, including the IMF and EBRD) indicate that the scale of the recession in Poland in 2020 will be the smallest in the EU, and in 2021 there will be a relatively quick recovery. Consequently the Polish economy will be one of the first to return to the level of GDP seen before the pandemic outbreak.

The Anti-crisis and Financial Shields



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Source: IIF, IMF, PKO Bank Polski

The primary purpose of anti-crisis measures under the Anti-Crisis Shield and the Financial Shield is to **curb the increase in unemployment and maintain financial liquidity of companies.**

The value of direct fiscal actions (6.8% of GDP) is unprecedented in the history of Poland, as well as the largest among EU countries.

Main anti-crisis measures under the Shields

Taken by the government

- Fighting unemployment through wage subsidies and benefits;
- Extension of the *de minimis* guarantee program;
- Subsidies and partly non-refundable loans for micro, small and medium enterprises;
- Preferential, partly non-refundable loans and investment financing for large companies;
- Tax exemptions and facilities;
- Exemptions and deferred payment of social security contributions.

In the area of NBP/KNF/KSF

- Bond purchases on the secondary market (the scheme contains Treasury bonds and Treasury-guaranteed bonds);
- Lowering of the systemic risk buffer to 0% from 3%;
- Relaxing requirements for financial sector institutions;
- Reduction of the reserve requirement ratio;
- NBP interest rates reduction (reference rate lowered by a total of 100 bps).

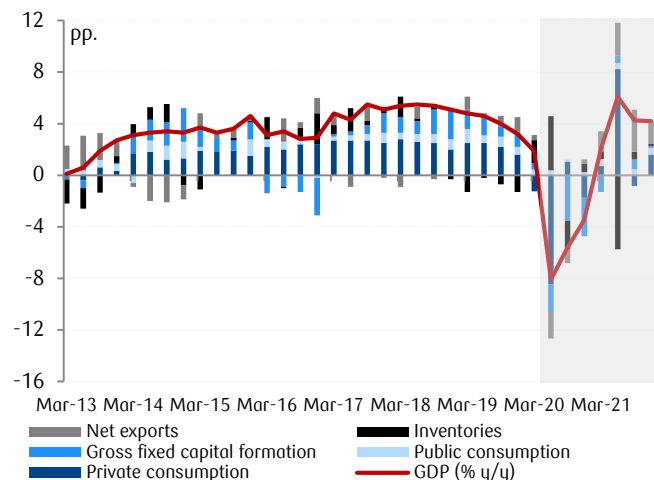
Recession bottomed out, a gradual recovery is underway



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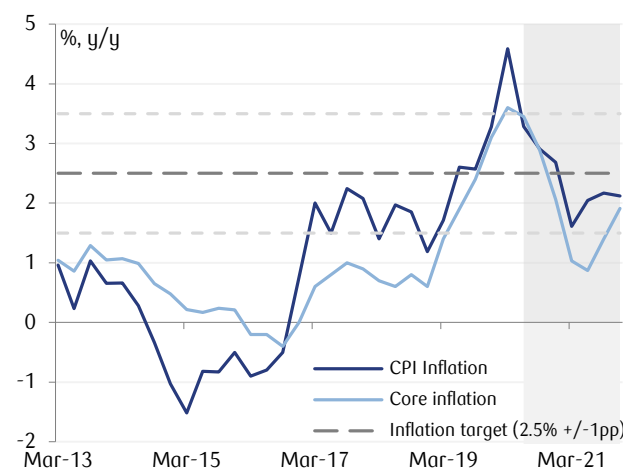


GDP decline and arduous recovery



Source: GUS, PKO Bank Polski

Inflation fears disappear, deflation still far away



Source: GUS, NBP, PKO Bank Polski

Only modest rise of U-rate



Source: GUS, PKO Bank Polski,

- After a severe drop of GDP in 2Q20, a gradual recovery will take place in subsequent quarters and the Polish economy will return almost to the pre-pandemic GDP level by the end of 2021. Anti-epidemic restrictions have caused a dramatic drop in activity in services (tourism, hotels and restaurants, beauty, education and private healthcare services) and in retail trade. Export-oriented manufacturing has been also severely affected. Construction is in a relatively good shape. The crisis in Poland bottomed out in April, similarly as in other European economies and in the US, but even as restrictions are relaxed, many crisis mechanisms will continue to operate (e.g. weaker consumer demand due to deterioration of the labour market conditions and collapse of consumer sentiment as well as a decline in investment demand due to elevated uncertainty), limiting the pace of economic recovery.
- Recession (shift from positive to negative output gap and suppression of wage pressure) and reduced commodity prices push inflation down. The scale of inflation decline will be limited by food supply constraints (locally drought and globally pandemic disruptions, including trade restrictions and potential shortages of seasonal workers). The MPC is likely to leave the NBP interest rates at historic lows in the foreseeable future.
- The unemployment rate will rise, but the Anti-crisis and Financial Shields and the high percentage of employees from abroad will limit the scale of unemployment growth. Jobs in the services sector with the status of self-employment are most at risk.

Macroeconomic and banking sector forecasts



Bank Polski

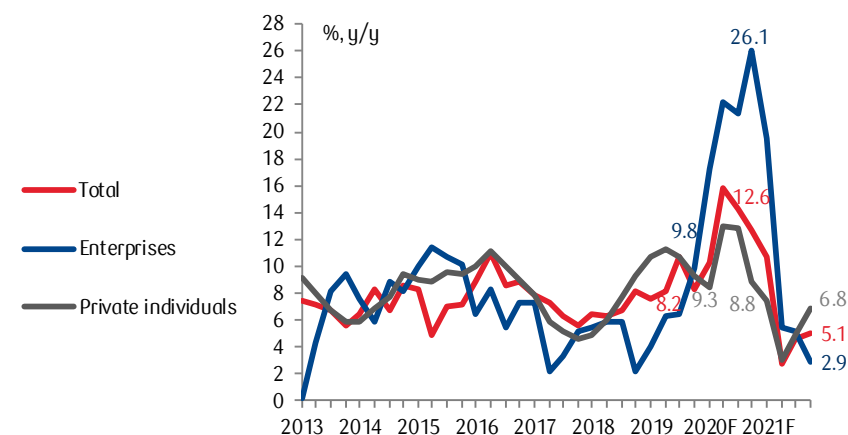


| | | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 F | 2021 F |
|------------------------------|---------|------|------|------|------|------|--------|--------|
| GDP | % y/y | 3.8 | 3.1 | 4.9 | 5.3 | 4.1 | -3.9 | 4.1 |
| Consumption | % y/y | 3.0 | 3.9 | 4.5 | 4.2 | 3.9 | -4.5 | 4.1 |
| Investments | % y/y | 6.1 | -8.2 | 4.0 | 9.4 | 7.2 | -11.2 | 0.3 |
| Fiscal deficit ¹⁾ | % GDP | -2.7 | -2.2 | -1.5 | -0.2 | -0.5 | -8.4 | -2.5 |
| Public debt ¹⁾ | % GDP | 51.3 | 54.2 | 50.6 | 48.7 | 46.0 | 55.2 | 54.6 |
| CPI inflation | % | -0.9 | -0.6 | 2.0 | 1.7 | 2.3 | 3.4 | 2.0 |
| LFS unemployment rate | % | 7.5 | 6.2 | 4.9 | 3.8 | 3.3 | 4.6 | 5.4 |
| NBP reference rate | % eop | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 0.50 | 0.50 |
| WIBOR 3M | % eop | 1.73 | 1.73 | 1.72 | 1.72 | 1.71 | 0.70 | 0.70 |
| EUR/PLN | PLN eop | 4.26 | 4.42 | 4.17 | 4.30 | 4.26 | 4.55 | 4.40 |
| USD/PLN | PLN eop | 3.90 | 4.18 | 3.48 | 3.76 | 3.80 | 4.21 | 3.86 |

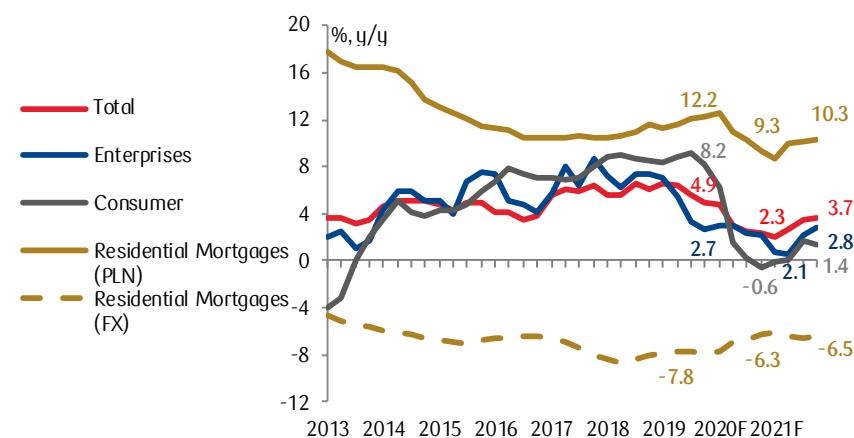
Source: GUS, Ministerstwo Finansów, NBP, PKO Banku Polski forecasts

1) In ESA2010 terms.

Deposits growth (FX adjusted)



Loans growth (FX adjusted)



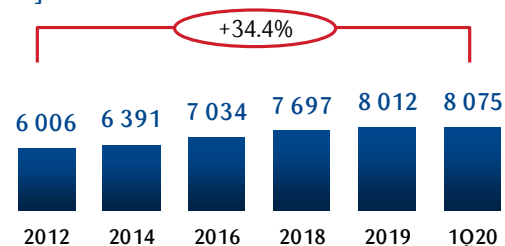


Bank Polski

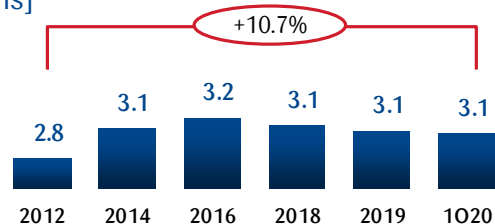
SUPPLEMENTARY INFORMATION

PKO Bank Polski - undisputed leader of the Polish banking sector

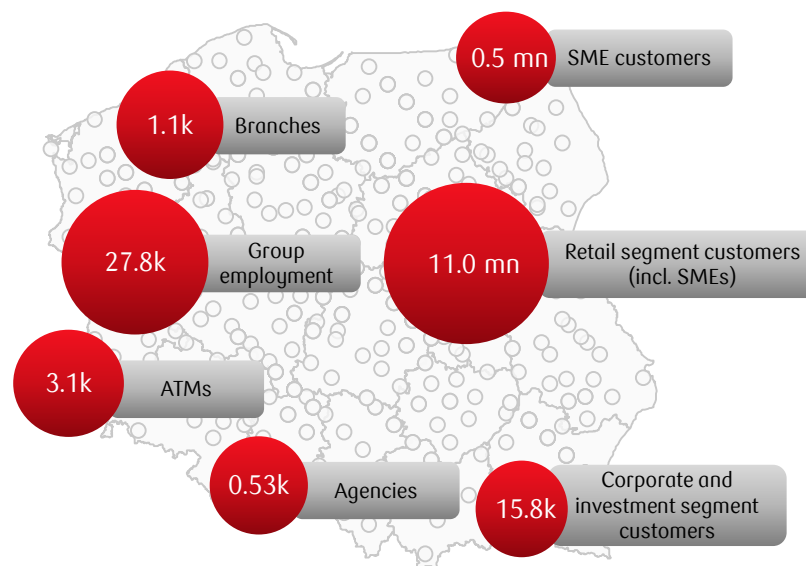
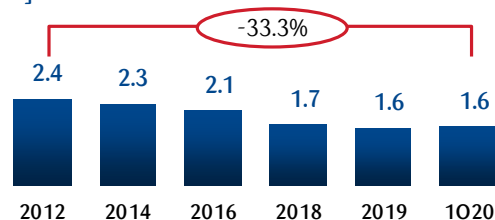
Number of current accounts of individuals [ths]



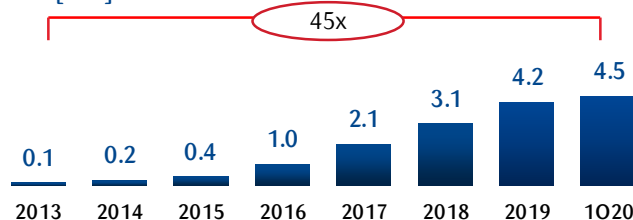
Number of ATMs [ths]



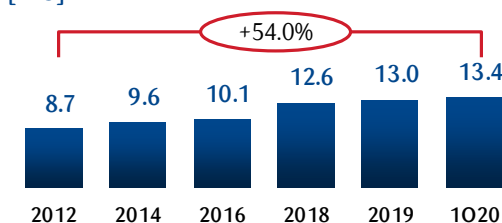
Number of retail agencies and branches [ths]



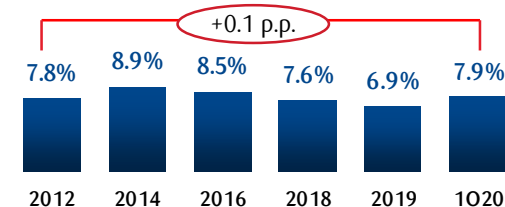
Mobile apps [mn]



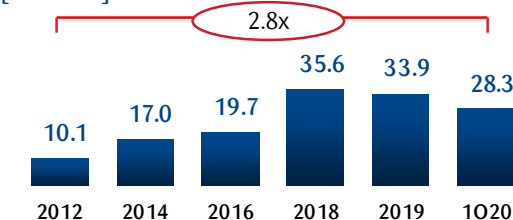
Number of corporate customers with access to e-banking [ths]



The share of PKO Securities in trading on the secondary stock market



Investment Funds - AuM [PLN bn]



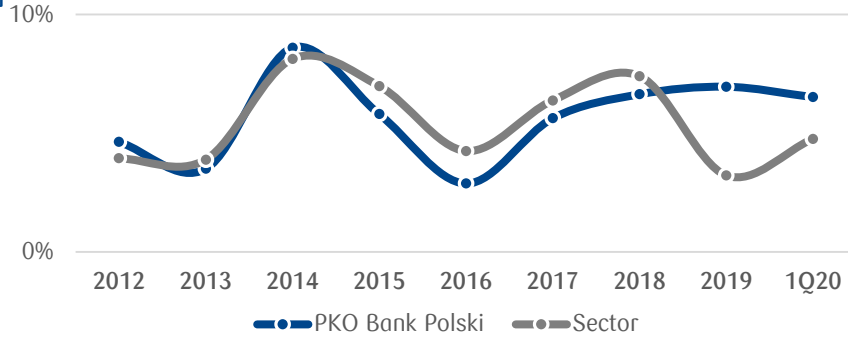


Bank Polski

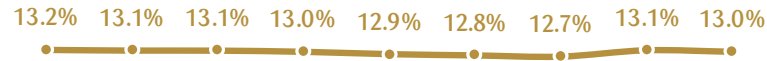
SUPPLEMENTARY INFORMATION

Market shares of PKO Bank Polski

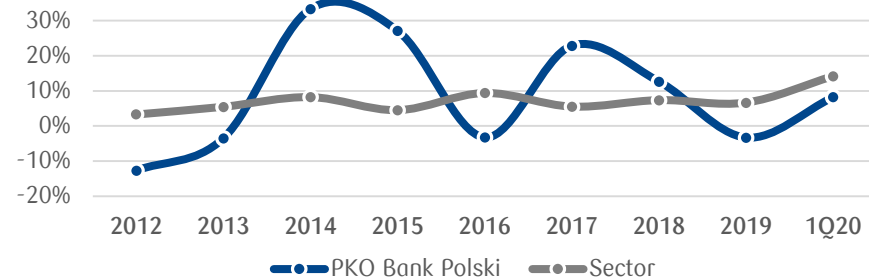
Corporate loans (y/y change)
[%]



Market share



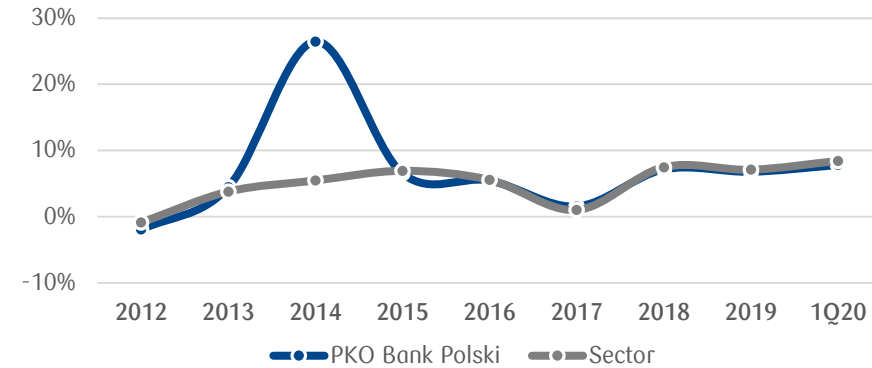
Corporate deposits (y/y change)
[%]



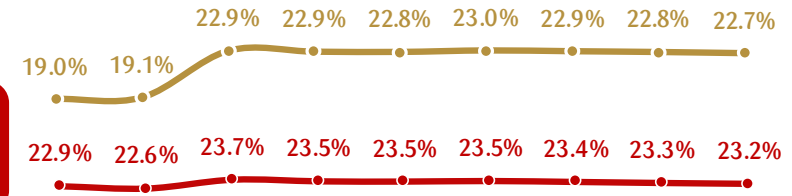
Market share



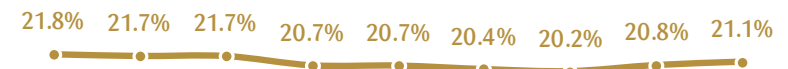
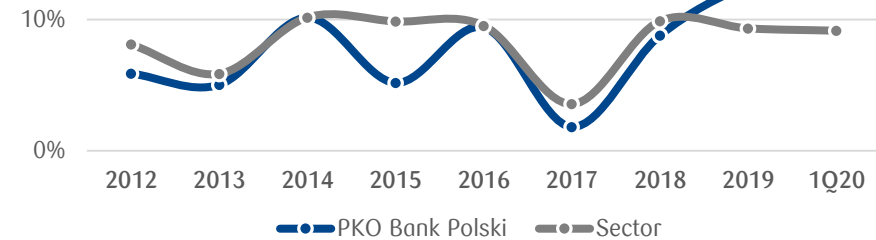
Households loans (y/y change)
[%]



Market share without FX loans



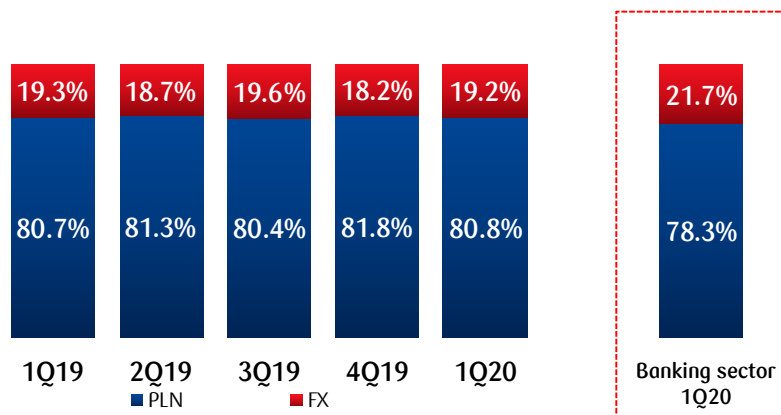
Households deposits (y/y change)
[%]



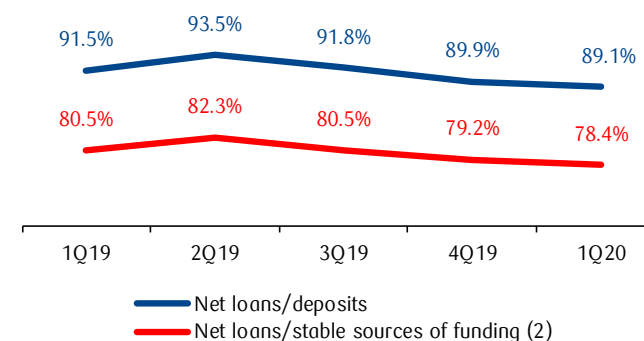
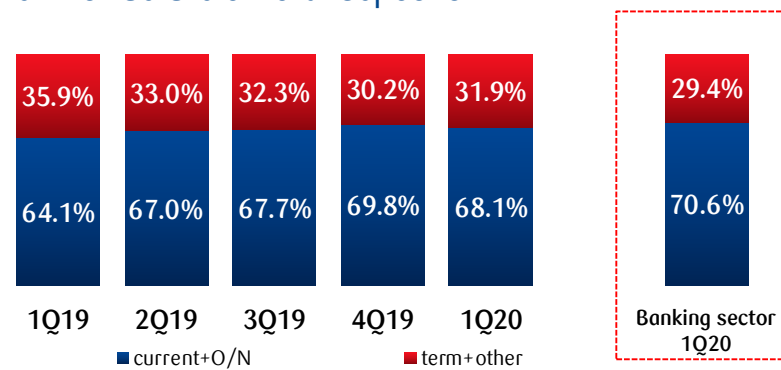
SUPPLEMENTARY INFORMATION

Improvement of the structure of loans and deposits while maintaining high liquidity

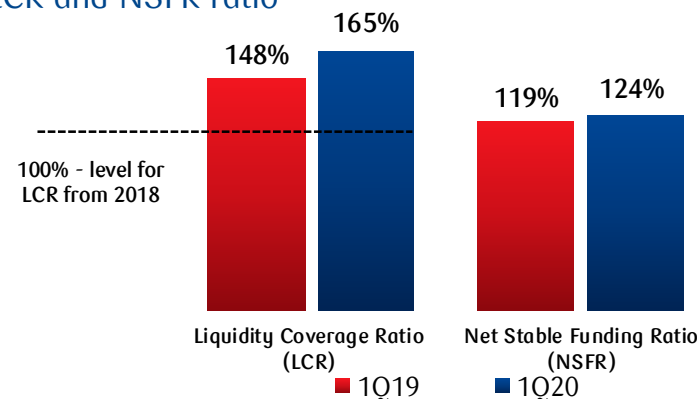
Currency structure of gross loans portfolio



Term structure of total deposits ⁽¹⁾



LCR and NSFR ratio



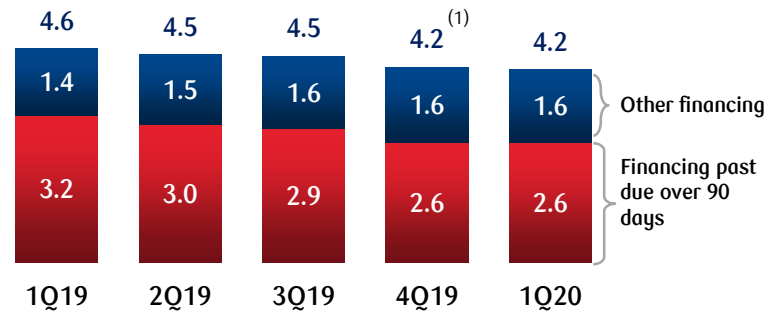
(1) Amounts due to customers.

(2) Amounts due to customers and long-term external funding in the form of: covered bonds, securitization, senior unsecured bonds, subordinated debt; and amounts due to financial institutions.

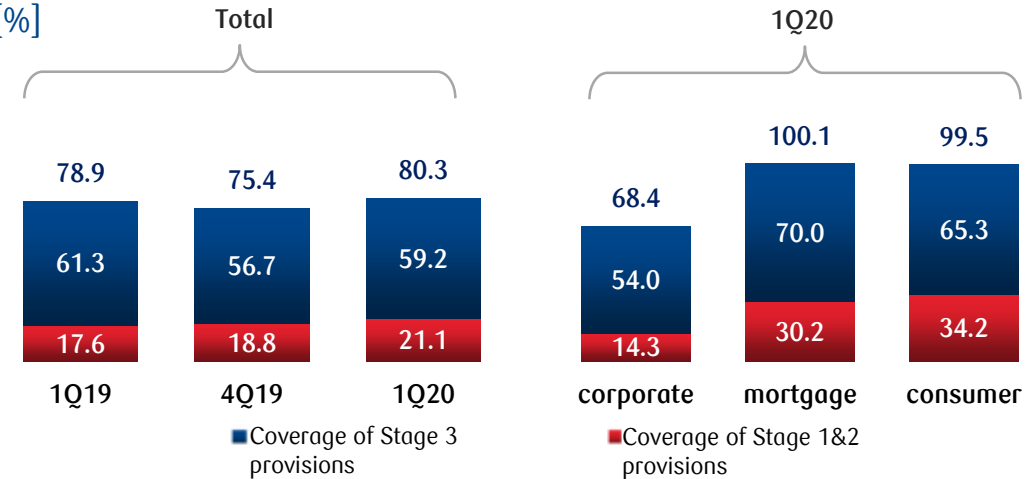
SUPPLEMENTARY INFORMATION

Customer financing portfolio quality – segment breakdown

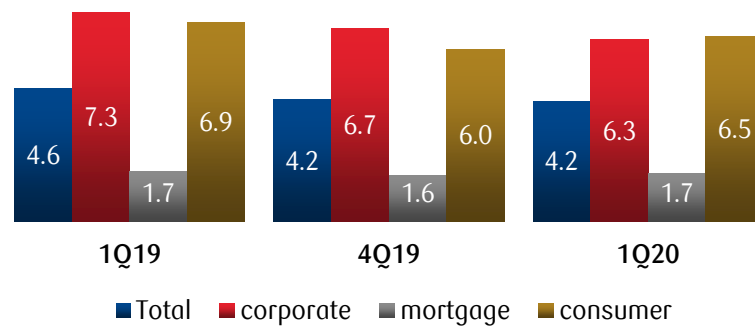
Share of customer receivables with recognized impairment [%]



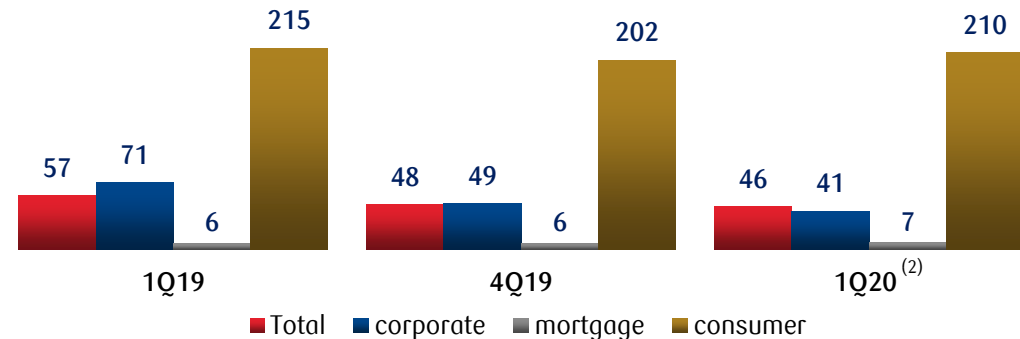
Coverage of customer receivables with recognized impairment [%]



Share of customers receivables with recognized impairment [%]



Cost of credit risk over the last 12M [bps.]



(1) NPL ratio improvement by 0.3 p.p. due to the sale of receivables and off-balance sheet exposures.

(2) Cost of risk including COVID-19 provisions reached 54 bps. for total loans, 47 bps. for corporate loans, 13 bps. for mortgage loans, 236 bps. for consumer loans.

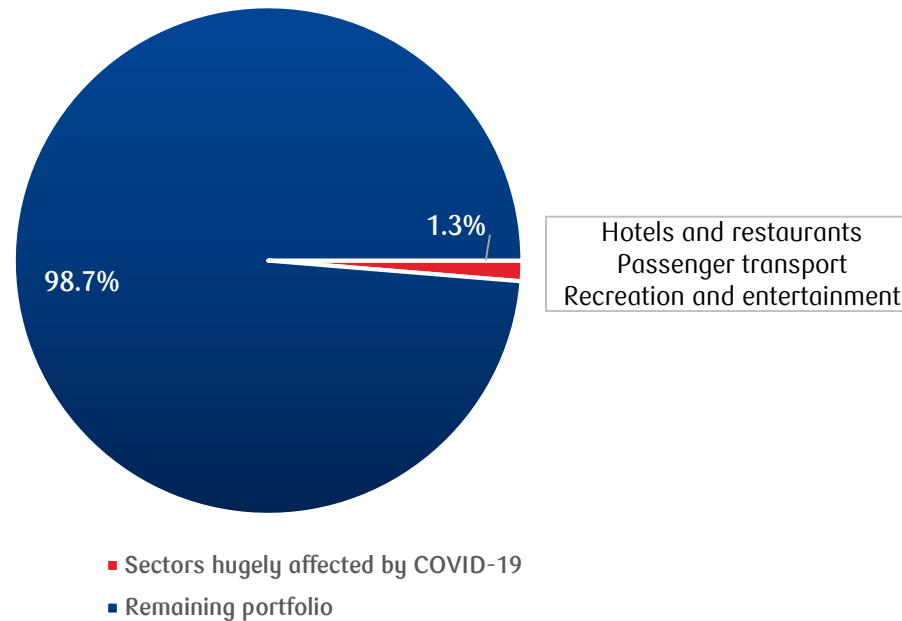


Bank Polski

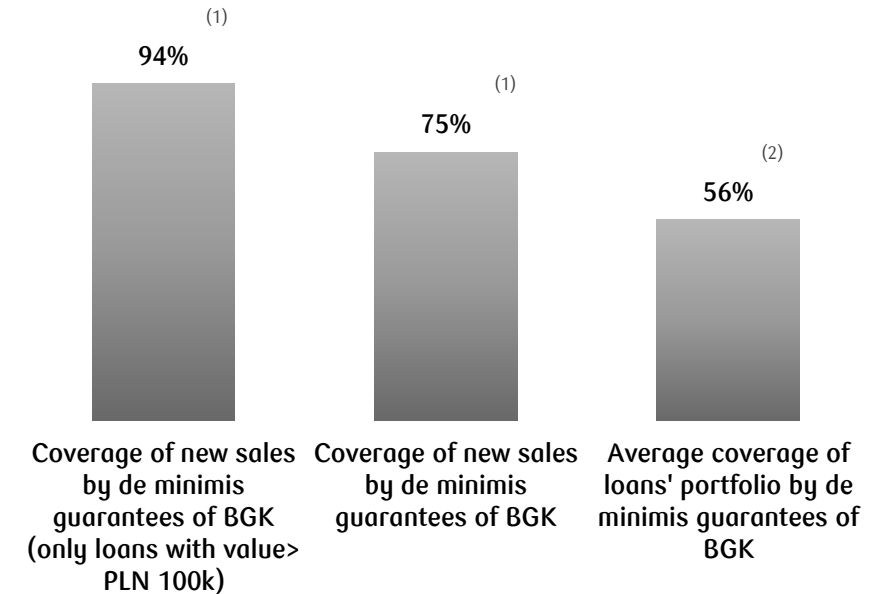
SUPPLEMENTARY INFORMATION

Resilience of PKO Bank Polski to credit risk

Low share of sectors in the loans' portfolio which might be affected by COVID-19 consequences [%]



Coverage by guarantees of BGK [%]



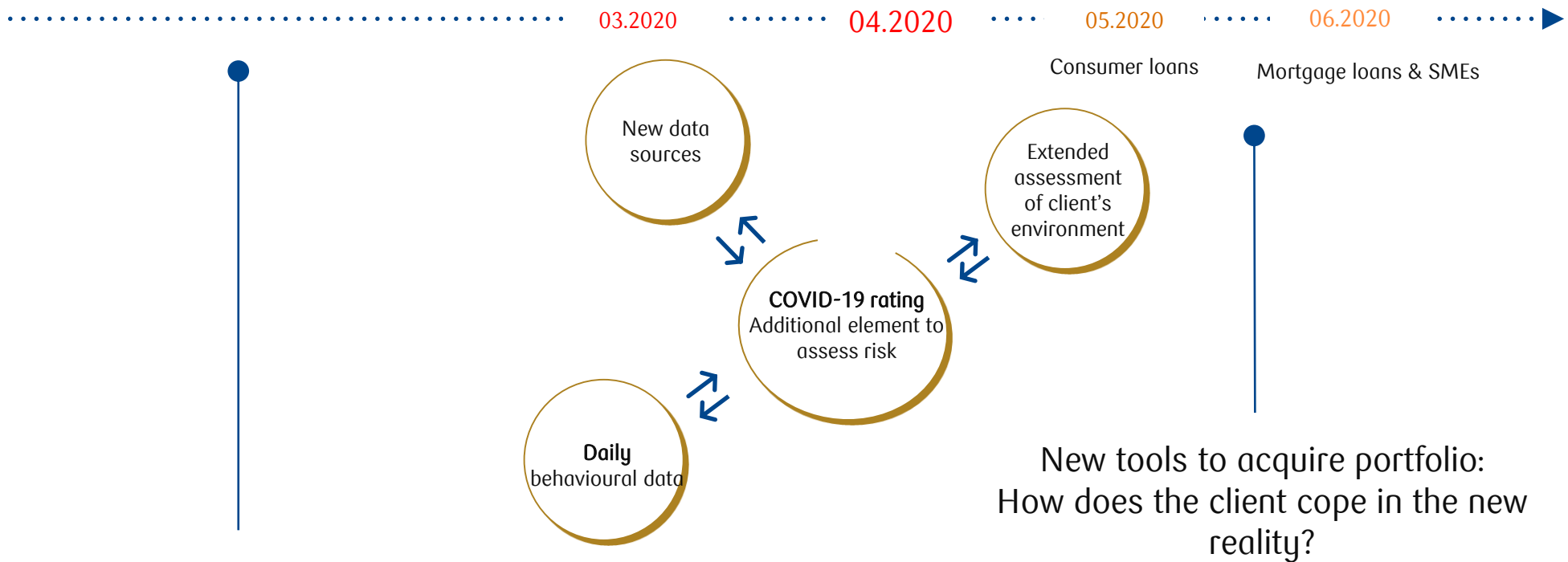
(1) Data as of 08.05.2020

(2) Data as of 31.03.2020



SUPPLEMENTARY INFORMATION

Behavioural models assessing credit risk



How did a client cope in normal conditions?



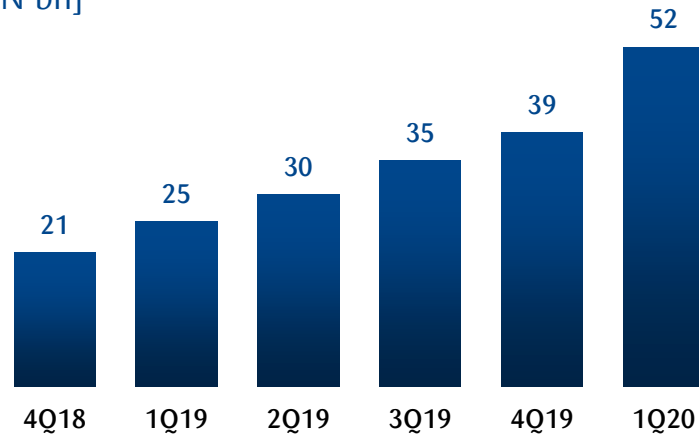
Bank Polski

SUPPLEMENTARY INFORMATION

Resilience of PKO Bank Polski to interest rates cut

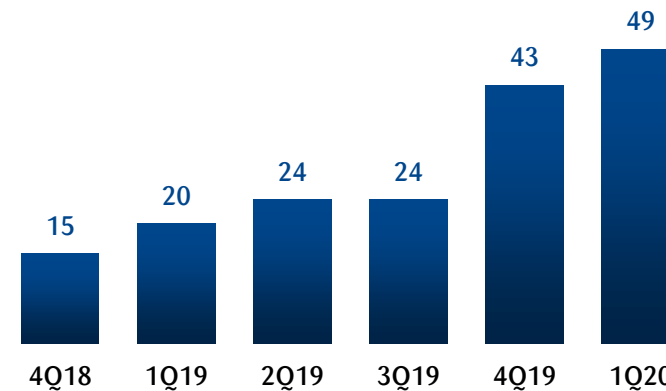
Substantial increase in government fixed coupon bonds in balance sheet structure –

Nominal value
[PLN bn]



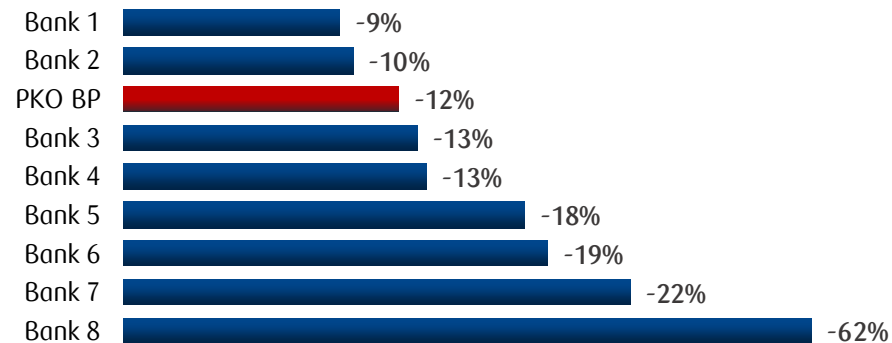
Exchange of floating to fixed rate (IRS) secures interest income in the case of interest rates cut –

Nominal value
[PLN bn]



Interest income change (y/y) due to the changes in monetary policy compared to 19' profit before tax: top 9 banks

[%]



Source: own calculations based on data on NII sensitivity to 100 bps. decrease in interest rates released by banks in current reports.

The change of deposits offer will downsize the average cost of deposit by circa 0.3 p.p. within the 2020 time horizon.

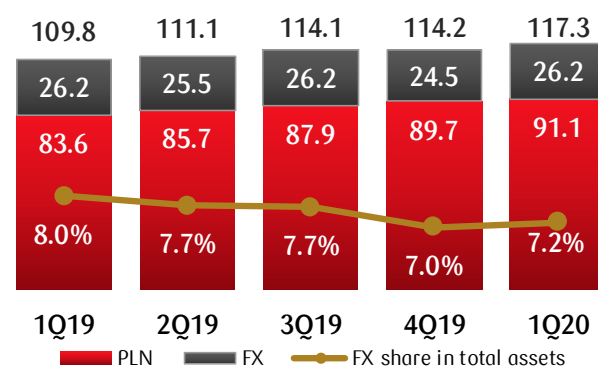
SUPPLEMENTARY INFORMATION

Gross mortgage loans

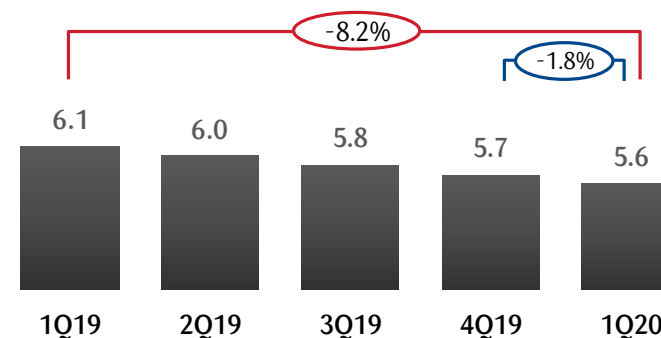


Bank Polski

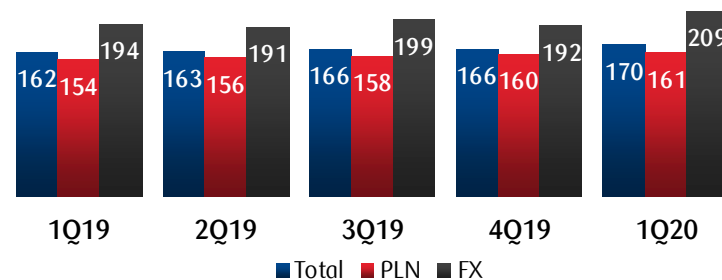
Volume of FX mortgage loans
[PLN bn] ⁽¹⁾



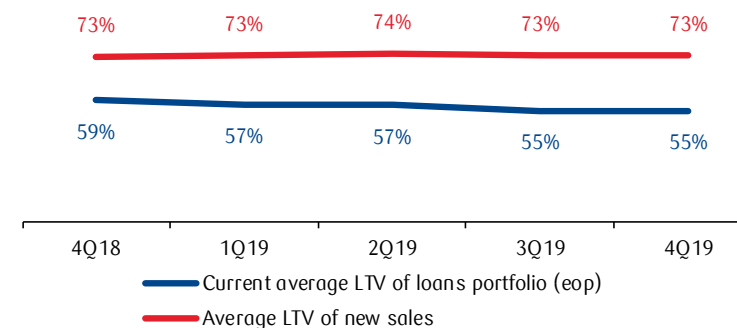
Volume of CHF mortgage loans
[CHF bn] ⁽²⁾



Average carrying value of mortgage loan
[PLN ths] ⁽¹⁾



Average LTV



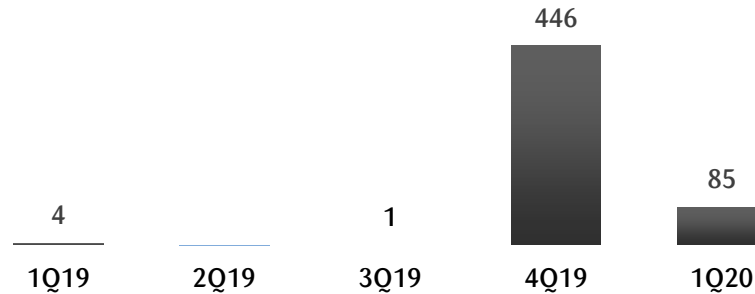
⁽¹⁾ Includes data of PKO Bank Polski and PKO Mortgage Bank.

⁽²⁾ The volume of housing loans in EUR: 1Q19 719.3 mn, 2Q19 701.6 mn, 3Q19 684.5 mn, 4Q19 665.7 mn., 1Q20 647.6 mn.

SUPPLEMENTARY INFORMATION

Impact of legal risk of foreign currency mortgages and early repayments of retail loans

Legal risk of foreign currency mortgage loans
[PLN mn]

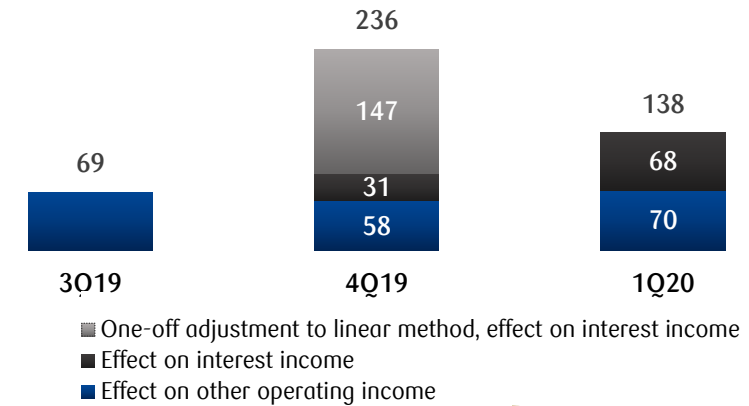


At the end of March 2020, 2110 court proceedings were pending at total value of PLN 505 million (+17% q/q, stable exchange rate is assumed). Comparing to the 2019 year-end the number of proceedings rose by 465.

Breakdown of foreign currency mortgage loans
[mn]

| (PLN billion) as of 31.03.2020 | | until 2009 | after 2009 |
|-----------------------------------|--|------------|------------|
| Indexed | | - | 3.6 |
| Denominated | | 18.3 | 3.2 |
| Total | | 18.3 | 6.8 |

Cost of early repayments of retail loans
[PLN mn]



In the balance sheet the group recognized a total of PLN 7.0 billion of reserves and buffers for the risk of FX mortgage portfolio, including:

- the total amount of write-offs related to credit risk: PLN 0.8 billion
- the total amount of write-offs / reserves for legal risk: PLN 0.6 billion
- the total capital buffer to cover the risk of the FX mortgage portfolio: PLN 5.8 billion.

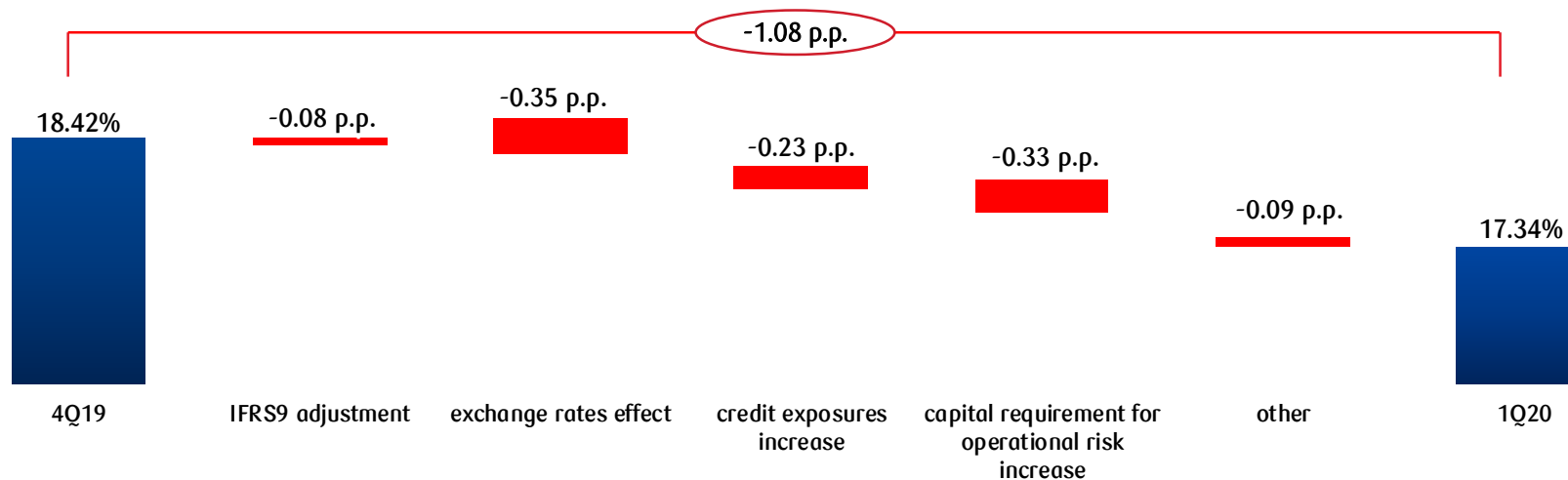
SUPPLEMENTARY INFORMATION

Capital adequacy

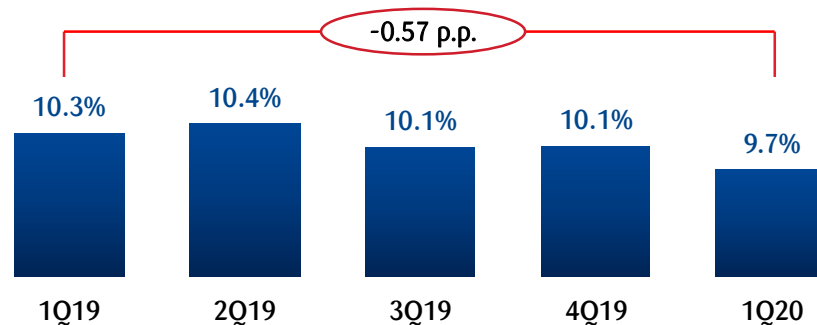


Bank Polski

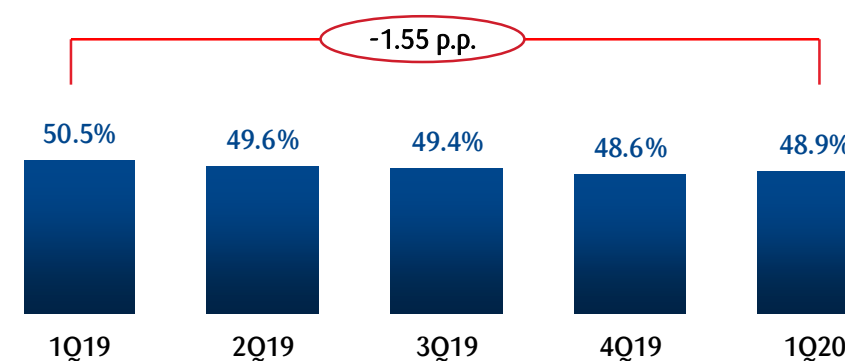
Consolidated TCR change (q/q)



Leverage ratio



Effective risk weight ⁽¹⁾



⁽¹⁾ Proportion of risk-weighted assets to credit and counterparty credit risk net exposure.

SUPPLEMENTARY INFORMATION

Key financial data



Bank Polski

Profit and loss [PLN mn]

| | 1Q20 | 1Q19 | y/y | 4Q19 | q/q |
|---------------------------------------|--------|--------|--------|--------|---------|
| Net interest income | 2 703 | 2 455 | +10.1% | 2 624 | +3.0% |
| Net F&C income | 886 | 832 | +6.5% | 866 | +2.4% |
| Result on business activity | 3 658 | 3 498 | +4.6% | 3 774 | -3.1% |
| Administrative expenses | -1 838 | -1 685 | +9.1% | -1 551 | +18.5% |
| Allowances for expected credit losses | -579 | -325 | +78.0% | -256 | +126.0% |
| including the impact of COVID-19 | -228 | - | - | - | - |
| Allowances on non-financial assets | -100 | -7 | 14.3x | -83 | +20.5% |
| Cost of credit risk of FX mortgages | -85 | -4 | 21.3x | -446 | -80.9% |
| Bank tax | -262 | -248 | +5.6% | -258 | +1.6% |
| Profit before income tax | 797 | 1 234 | -35.4% | 1 187 | -32.9% |
| Income tax | -298 | -373 | -20.1% | -464 | -35.7% |
| Net profit | 503 | 862 | -41.6% | 723 | -30.4% |
| Assets | 364.6 | 325.8 | +11.9% | 348.0 | +4.8% |
| Customer financing | 253.9 | 233.2 | +8.9% | 246.6 | +3.0% |
| Amounts due to customers | 266.2 | 237.0 | +12.3% | 256.2 | +3.9% |
| Stable financial resources | 304.6 | 272.3 | +11.8% | 292.8 | +4.0% |
| Total equity | 42.5 | 39.7 | +7.0% | 41.6 | +2.2% |

Balance sheet [PLN bn]

SUPPLEMENTARY INFORMATION

Key ratios



Bank Polski

| | | 1Q20 | 1Q19 | y/y | 4Q19 | q/q |
|----------------------------|----------------------|-------|-------|------------|-------|------------|
| Key financial ratios [%] | ROE net | 9.0 | 10.1 | -1.1 p.p. | 10.0 | -1.0 p.p. |
| | ROTE net | 9.7 | 11.0 | -1.3 p.p. | 10.9 | -1.2 p.p. |
| | ROA net | 1.1 | 1.2 | -0.1 p.p. | 1.2 | -0.1 p.p. |
| | C/I | 42.4 | 44.1 | -1.7 p.p. | 41.8 | +0.6 p.p. |
| | NIM 12M | 3.39 | 3.43 | -0.04 p.p. | 3.42 | -0.03 p.p. |
| Loan portfolio quality [%] | NPL ratio | 4.2 | 4.6 | -0.4 p.p. | 4.2 | 0.0 p.p. |
| | Coverage ratio | 80.3 | 78.9 | +1.4 p.p. | 75.4 | +4.9 p.p. |
| | Cost of risk | 0.46 | 0.57 | -11 bps | 0.48 | -2 bps |
| Capital position [%] | TCR | 17.34 | 18.36 | -1.1 p.p. | 18.42 | -1.1 p.p. |
| | Tier 1 capital ratio | 16.15 | 17.03 | -0.9 p.p. | 17.16 | -1.1 p.p. |

SUPPLEMENTARY INFORMATION

Key operational data



Bank Polski

PKO Bank Polski operating data (eop)

| | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | y/y | q/q |
|---|-------|-------|-------|-------|-------|--------|-------|
| Current accounts ('000) ⁽¹⁾ | 7 779 | 7 851 | 7 953 | 8 012 | 8 075 | +3.8% | +0.8% |
| Banking cards ('000) | 8 994 | 9 084 | 9 210 | 9 283 | 9 429 | +4.8% | +1.6% |
| of which: credit cards | 942 | 954 | 968 | 981 | 982 | +4.2% | +0.1% |
| Active mobile banking applications IKO ('000) | 3 364 | 3 601 | 3 952 | 4 210 | 4 543 | +35.1% | +7.9% |
| Branches: | 1 145 | 1 132 | 1 121 | 1 115 | 1 101 | -3.8% | -1.3% |
| - retail | 1 103 | 1 090 | 1 079 | 1 073 | 1 059 | -4.0% | -1.3% |
| - corporate | 42 | 42 | 42 | 42 | 42 | 0.0% | 0.0% |
| Agencies | 557 | 535 | 530 | 538 | 531 | -4.7% | -1.3% |
| ATMs | 3 104 | 3 106 | 3 089 | 3 080 | 3 057 | -1.5% | -0.7% |
| Employment eop (FTEs '000) Group | 27.9 | 28.1 | 27.8 | 27.7 | 27.8 | -0.3% | +0.3% |

- The number of active IKO applications has increased by over 1 million y/y.
- Employment lowered by 89 full-time employees y/y.

⁽¹⁾ Since 3Q19, the Bank changed its rules for qualifying current accounts. According to the new, simpler criteria, the Bank reports all active accounts it deems as having potential for further cooperation with the customers.

SUPPLEMENTARY INFORMATION

Profit and loss account of the PKO Bank Polski Group



Bank Polski

| Profit and loss account (PLN million) | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | y/y | q/q |
|--|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| Net interest income | 2 455 | 2 538 | 2 662 | 2 624 | 2 703 | +10.1% | +3.0% |
| Net fee and commission income | 832 | 853 | 866 | 866 | 886 | +6.5% | +2.4% |
| Other income | 211 | 348 | 171 | 284 | 69 | -67.4% | -75.8% |
| Dividend income | 0 | 12 | 1 | 0 | 0 | +20.5% | -2.5% |
| Trading income | 25 | 33 | 6 | 147 | (77) | - | - |
| Net foreign exchange gains | 54 | 12 | 18 | 19 | 16 | -70.5% | -16.8% |
| Gains/(losses) on derecognition on financial assets and liabilities | 52 | 33 | 57 | 2 | 43 | -17.5% | 17.8x |
| Net other operating income and expense | 80 | 259 | 88 | 115 | 87 | +8.3% | -24.9% |
| Total income items | 3 498 | 3 739 | 3 699 | 3 774 | 3 658 | +4.6% | -3.1% |
| Allowances for expected credit losses | (325) | (319) | (287) | (256) | (579) | +78.0% | 2,3x |
| Net impairment allowances on non-financial assets | (7) | (3) | (21) | (83) | (100) | 14.3x | +20.5% |
| Cost of credit risk of FX mortgages | (4) | (0) | (1) | (446) | (85) | 21.3x | -81.0% |
| Total operating expenses | (1 685) | (1 442) | (1 470) | (1 551) | (1 838) | +9.1% | +18.5% |
| result on regulatory charges | (359) | (59) | (59) | (60) | (451) | +25.6% | 7.5x |
| Tax on certain financial institutions | (248) | (255) | (261) | (258) | (262) | +5.4% | +1.4% |
| Share in net profit (losses) of associates and jointly controlled entities | 5 | 9 | 9 | 8 | 4 | -25.4% | -55.2% |
| Profit before income tax | 1 234 | 1 729 | 1 669 | 1 187 | 797 | -35.4% | -32.9% |
| Income tax expense | (373) | (511) | (440) | (464) | (298) | -20.0% | -35.6% |
| Net profit attributable to non-controlling shareholders | (1) | 1 | (0) | 1 | (4) | 4.0x | - |
| Net profit attributable to the parent company | 862 | 1 217 | 1 229 | 723 | 503 | -41.6% | -30.4% |

SUPPLEMENTARY INFORMATION

Balance sheet of the PKO Bank Polski Group



Bank Polski

| Assets (PLN billion) | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | y/y | q/q |
|---|--------------|--------------|--------------|--------------|--------------|---------------|--------------|
| Cash and balances with the Central Bank | 15.4 | 12.9 | 13.3 | 14.7 | 11.4 | -26.0% | -22.3% |
| Amounts due from other banks | 6.2 | 3.3 | 3.9 | 4.1 | 5.7 | -8.2% | +39.3% |
| Reverse repo transactions | 1.4 | 1.9 | 1.4 | 1.1 | 0.1 | -92.0% | -89.6% |
| Net customer financing | 233.2 | 239.3 | 245.9 | 246.6 | 253.9 | +8.9% | +3.0% |
| municipal and corporate bonds | 14.9 | 15.1 | 15.4 | 14.9 | 15.4 | +2.9% | +2.9% |
| Securities | 54.5 | 56.1 | 60.3 | 65.6 | 73.7 | +35.2% | +12.3% |
| Other assets | 15.1 | 15.5 | 16.9 | 16.0 | 19.8 | +31.7% | +24.1% |
| TOTAL ASSETS | 325.8 | 329.0 | 341.6 | 348.0 | 364.6 | +11.9% | +4.8% |
| Liabilities and equity (PLN billion) | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | y/y | q/q |
| Total equity | 39.7 | 39.6 | 41.0 | 41.6 | 42.5 | +7.0% | +2.2% |
| Amounts due to the central bank and due to banks | 2.5 | 2.8 | 1.9 | 2.1 | 2.1 | -16.8% | -1.0% |
| Subordinated liabilities and debt securities in issue | 32.5 | 32.4 | 35.1 | 33.9 | 35.6 | +9.7% | +5.2% |
| Amounts due to customers | 237.0 | 238.0 | 249.0 | 256.2 | 266.2 | +12.3% | +3.9% |
| Loans and advances received | 2.8 | 2.7 | 2.5 | 2.8 | 2.8 | -0.4% | +0.3% |
| Liabilities of insurance activities | 1.4 | 1.5 | 1.6 | 1.6 | 1.8 | +29.7% | +8.8% |
| Other liabilities | 9.9 | 12.0 | 10.5 | 9.9 | 13.7 | +38.4% | +38.5% |
| TOTAL EQUITY AND LIABILITIES | 325.8 | 329.0 | 341.6 | 348.0 | 364.6 | +11.9% | +4.8% |



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SUPPLEMENTARY INFORMATION

Profit and loss account – reconciliation between financial report and presentation

| CONSOLIDATED FINANCIAL STATEMENTS OF THE PKO BANK POLSKI SA GROUP | 1Q20 financial report | Reclassification of net result in loans measured at fair value through profit or loss | Reclassification of impairment of non-financial assets | Reclassification of net regulatory charges | Presentation of other income | Presentation of result on business activity | 1Q20 presentation | 1Q20 FINANCIAL RESULTS |
|--|--------------------------|--|--|---|------------------------------------|--|----------------------|---|
| Net interest income/(expense) | 2 703 | | | | | 2 703 | 2 703 | Net interest income |
| Net fee and commission income | 886 | | | | | 886 | 886 | Net F&C income |
| - | - | | | | 69 | 69 | 69 | Other income |
| Net gain/(loss) in financial instruments measured at fair value through profit or loss | (150) | 72 | | | (77) | (77) | (77) | Trading income / (loss) |
| Net foreign exchange gains / (losses) | 16 | | | | 16 | 16 | 16 | Net foreign exchange gains |
| Gains/(losses) on derecognition of financial instruments not measured at fair value through profit or loss | 43 | | | | 43 | 43 | 43 | Gains/ (losses) on derecognition of financial assets and liabilities |
| Net other operating income and expense | 87 | | | | 87 | 87 | 87 | Net other operating income and expense |
| - | - | | | | | 3 658 | 3 658 | Result on business activity |
| Net expected credit losses | (507) | (72) | (100) | | | | (679) | Net impairment allowance and write-offs |
| Impairment of non-financial assets | (100) | | 100 | | | | - | - |
| Cost of the legal risk of mortgage loans in convertible currencies | (85) | | | | | | (85) | Cost of risk of FX mortgages |
| Administrative expenses | (1 387) | | | (451) | | | (1 838) | Total operating expenses |
| Net regulatory charges | (451) | | | 451 | | | - | - |
| Tax on certain financial institutions | (262) | | | | | | (262) | Tax on certain financial institutions |
| Operating profit | 793 | - | - | - | - | - | 793 | - |
| Share in profits and losses of associates and joint ventures | 4 | | | | | | 4 | Share in profits and losses of associates and jointly controlled entities |
| Profit before tax | 797 | - | - | - | - | - | 797 | Profit before income tax |
| Income tax expense | (298) | | | | | | (298) | Income tax expense |
| Net profit (including non-controlling shareholders) | 499 | - | - | - | - | - | - | - |
| Profit (loss) attributable to non-controlling shareholders | (4) | | | | | | (4) | Profit (loss) attributable to non-controlling shareholders |
| Net profit attributable to equity holders of the parent company | 503 | - | - | - | - | - | 503 | Net profit attributable to equity holders of the parent company |

SUPPLEMENTARY INFORMATION

Customer financing



Bank Polski

| PLN billion | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | y/y | q/q |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Financing | 226.8 | 232.5 | 238.3 | 238.9 | 246.3 | +8.6% | +3.1% |
| mortgages | 109.8 | 111.1 | 114.1 | 114.2 | 117.3 | +6.8% | +2.6% |
| PLN mortgages | 83.6 | 85.7 | 87.9 | 89.7 | 91.1 | +9.0% | +1.5% |
| FX mortgages | 26.2 | 25.5 | 26.2 | 24.5 | 26.2 | -0.1% | +6.8% |
| consumer loans | 28.7 | 29.9 | 30.5 | 31.1 | 31.1 | +8.6% | +0.0% |
| SME | 32.5 | 34.8 | 34.9 | 34.5 | 35.0 | +7.5% | +1.4% |
| corporate | 55.8 | 56.7 | 58.7 | 59.0 | 63.0 | +12.8% | +6.7% |
| Debt securities | 14.9 | 15.1 | 15.4 | 14.9 | 15.4 | +2.9% | +3.0% |
| municipal bonds | 9.4 | 10.0 | 9.9 | 9.8 | 9.7 | +3.9% | -0.9% |
| corporate bonds | 5.6 | 5.1 | 5.5 | 5.1 | 5.7 | +1.3% | +10.3% |
| Gross customer financing | 241.7 | 247.6 | 253.6 | 253.8 | 261.7 | +8.3% | +3.1% |
| Net allowances for expected losses | | -8.3 | -7.8 | -7.2 | -7.9 | -7.9% | +8.3% |
| Net customer financing | 233.2 | 239.3 | 245.9 | 246.6 | 253.9 | +8.9% | +3.0% |

SUPPLEMENTARY INFORMATION

Customer savings



Bank Polski

| PLN billion | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | y/y | q/q |
|----------------------------|-------|-------|-------|-------|-------|--------|--------|
| Retail and private banking | 214.4 | 218.2 | 224.4 | 232.8 | 240.4 | +12.1% | +3.2% |
| deposits | 161.0 | 164.0 | 168.2 | 174.1 | 183.2 | +13.8% | +5.2% |
| retail mutual funds | 33.2 | 32.7 | 32.2 | 32.1 | 26.6 | -19.9% | -17.2% |
| saving treasury bonds | 20.1 | 21.5 | 24.0 | 26.6 | 30.6 | +52.3% | +14.9% |
| Corporate | 48.5 | 45.9 | 50.6 | 49.9 | 51.2 | +5.5% | +2.5% |
| SME | 25.7 | 26.4 | 28.4 | 30.5 | 30.3 | +18.1% | -0.5% |
| Customer savings | 288.6 | 290.5 | 303.5 | 313.2 | 321.9 | +11.5% | +2.8% |



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KEY ACHIEVEMENTS

PKO Banking Platform 2020-2022

Strategic financial targets

| | 2018 | 2019 | 1Q20 | Strategic goals 2022 |
|---------------------|---------------------------|---------------------------|---------------------------|--------------------------|
| ROE ⁽¹⁾ | 10.0% | 10.0% | 9.0% | 12.0% |
| C/I | 44.2% | 41.8% | 42.4% | ~41% |
| COST OF CREDIT RISK | 0.59% | 0.48% | 0.54% | 0.60%-0.75% |
| NET PROFIT | PLN 3.7 bn | PLN 4.0 bn | PLN 503 mn | > PLN 5 bn |
| EQUITY | TCR: 18.9% CET1: 17.5% | TCR: 18.4% CET1: 17.2% | TCR: 17.3% CET1: 16.2% | Ability to pay dividends |

⁽¹⁾ Return on tangible equity (adjusted for goodwill and intangibles): 10.7% in 1Q20, -1.3 p.p. y/y.

SUPPLEMENTARY INFORMATION

Shares and rating

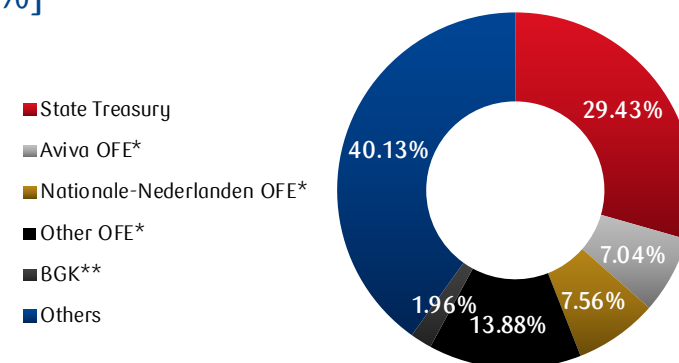


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Basic information on shares

| | |
|-------------------|---|
| Listed: | Warsaw Stock Exchange since 10.11.2004. |
| Indices: | WIG, WIG20, WIG30, WIG Banki WIG-ESG FTSE Russell, Stoxx 600 |
| ISIN: | PLPKO0000016 |
| Bloomberg: | PKO PW |
| Reuters: | PKOB WA |

Shareholder structure (number of shares: 1 250 mn) [%]



* Aviva, Nationale Nederlanden and other pension funds: data as of end-2019
 ** Bank Gospodarstwa Krajowego (Polish special purpose government bank)

Rating

| Agency: | Rating: | Long-term | | |
|---------|------------|------------------------|------------------------|-------------------|
| | | Deposits | Liabilities | Counterparty risk |
| Moody's | | A2 with stable outlook | A3 with stable outlook | A2 |
| | Short-term | | | |
| | | Deposits | Liabilities | Counterparty risk |
| | | P-1 | (P)P-2 | P-1 |

ESG Rating

| Agency: | Rating: | ESG Rating (environmental, social, governance) |
|----------------|---------|--|
| FTSE Russell | | 3.3 |
| Sustainalytics | | 24.0/100 Medium risk |
| MSCI | | BBB↑ |

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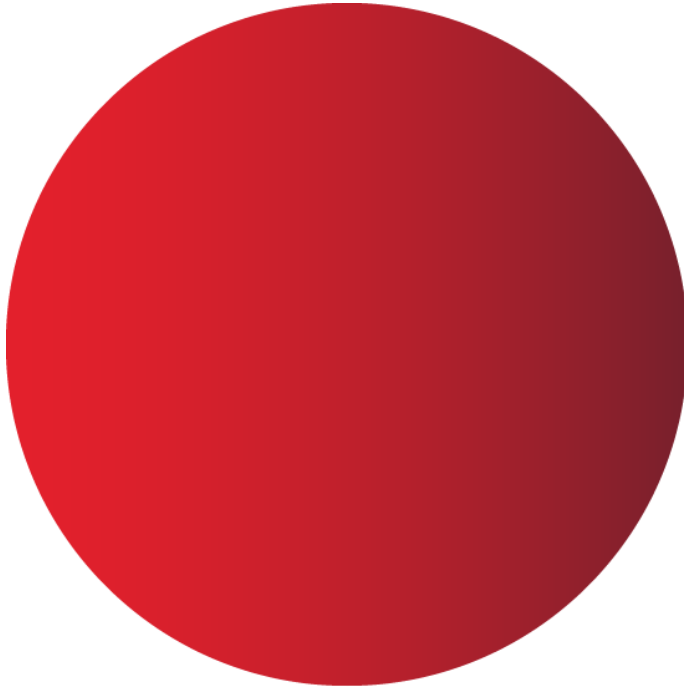
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Any differences in total balances, percentages and growth rates result from rounding the amounts to PLN million and rounding percentages to one decimal place.



Bank Polski



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Investor's calendar

| | |
|-----------------|---|
| 5 August 2020 | Publication of the 1H 2020 Report |
| 4 November 2020 | Publication of the Quarterly 3Q 2020 Report |