



Bank Polski

PKO Banking Platform

We Support the Growth of Poland and the Poles

Update of the PKO Bank Polski strategy for 2020-2022

Warsaw, 17th November 2019



Bank Polski

1. Competitive position of PKO Bank Polski
2. Market trends and challenges for PKO Bank Polski
3. Vision and strategic goals for 2020-2022

Sector leader: large, accessible, strong and secure, technologically advanced



Bank Polski

LARGE

- ~ 11 million customers
- #1 on the banking, leasing and mutual funds market
- > PLN 300 billion in assets, > 100 PLN billion in financing the economy

ACCESSIBLE

- The leader in mobile banking ~ 25% market share
- 1,700 branches and agencies

STRONG AND SECURE

- The most secure in Europe according to EBA stress tests
- The strongest equity position in Poland TCR 18.6%

TECHNOLOGICALLY ADVANCED

- The largest technology company with a banking license in Poland

Bank Polski

Explanation: according to the last available data

PKO Bank Polski leaves competitors behind



Bank Polski

PKO Bank Polski ...

... leaves competitors behind



10.3 million individual clients

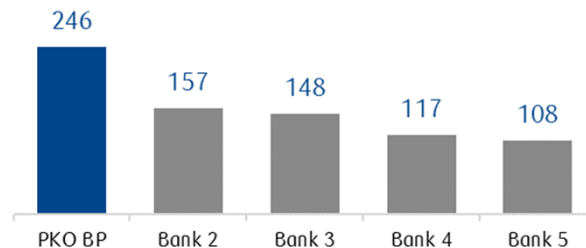


nearly 0.5 million business and enterprises

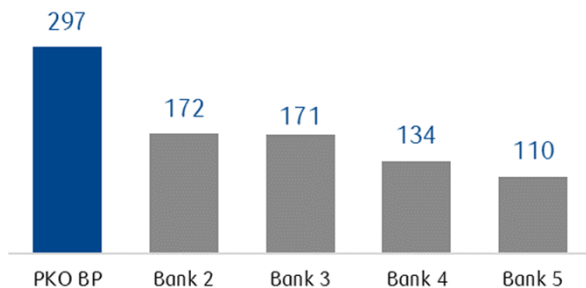


15.5 thousand corporate clients

1H 2019
Financing granted to clients (PLN billion) ¹



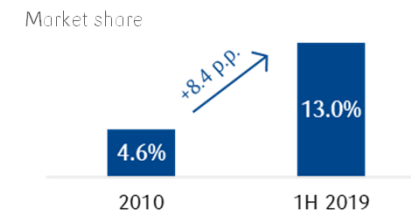
Clients savings (PLN billion) ²



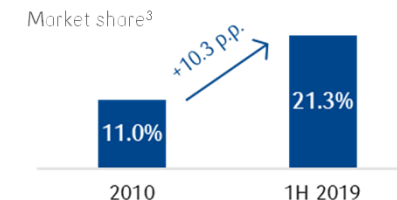
... with a strong capital group



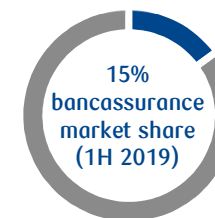
Leasing



TFI



Ubezpieczenia



Finat

- PKO BP technology branch
- Provides IT competence
- IT processes integrator

¹ Receivables from clients + leasing + bonds; ² deposits + mutual funds+ retail bonds

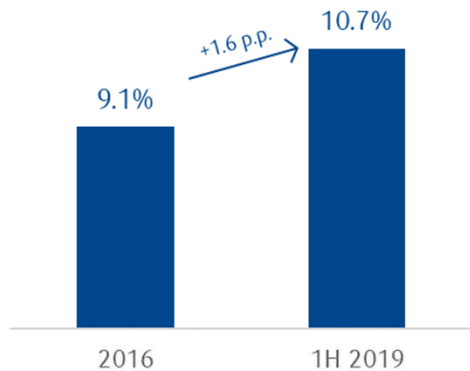
³ Mutual funds

Sources: PKO Bank Polski, financial statements of banks, Analizy Online, ZPL, Refinitiv, Infostrefa

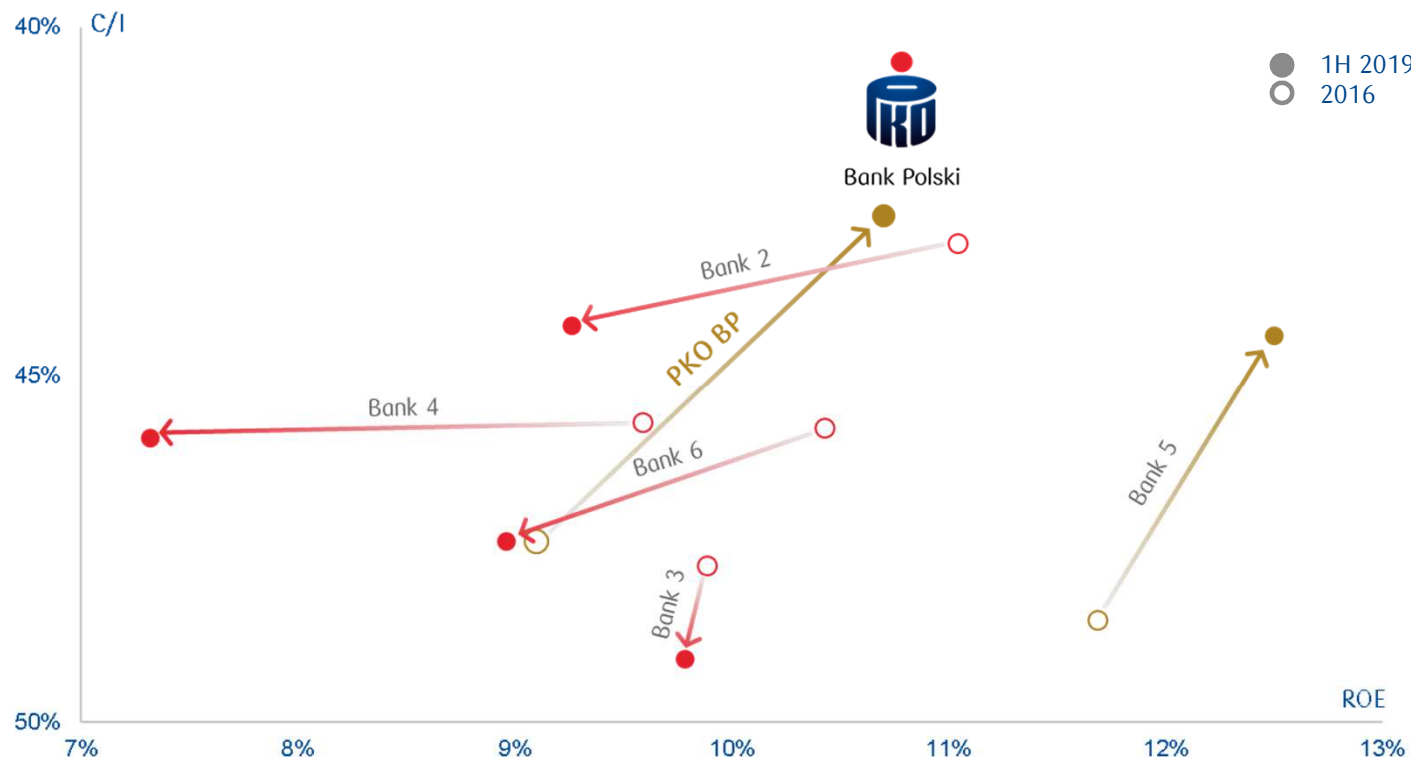
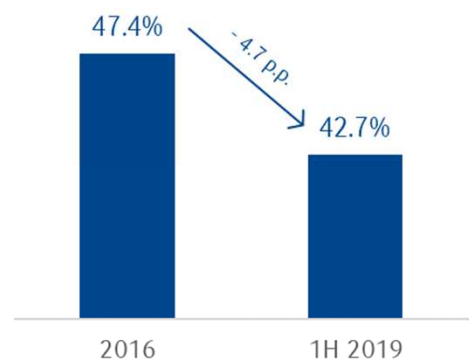
PKO Bank Polski with the best improvement in profitability and cost effectiveness



PKO Bank Polski: ROE

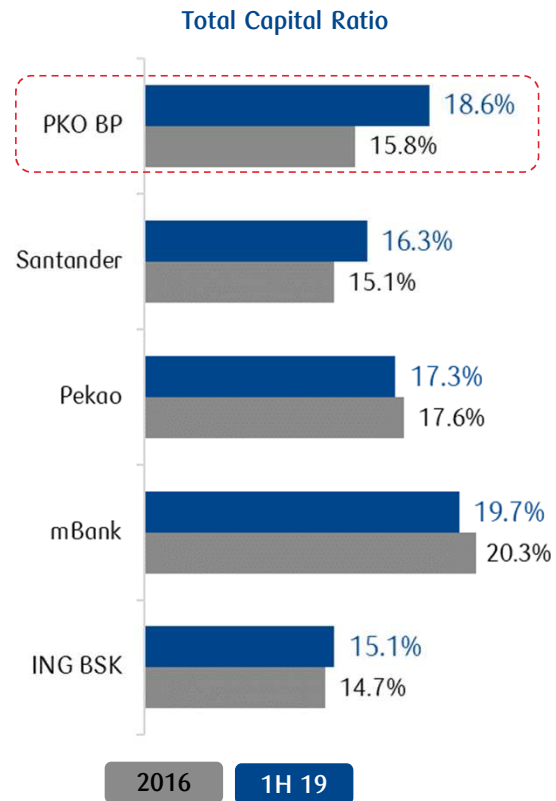


PKO Bank Polski: C/I

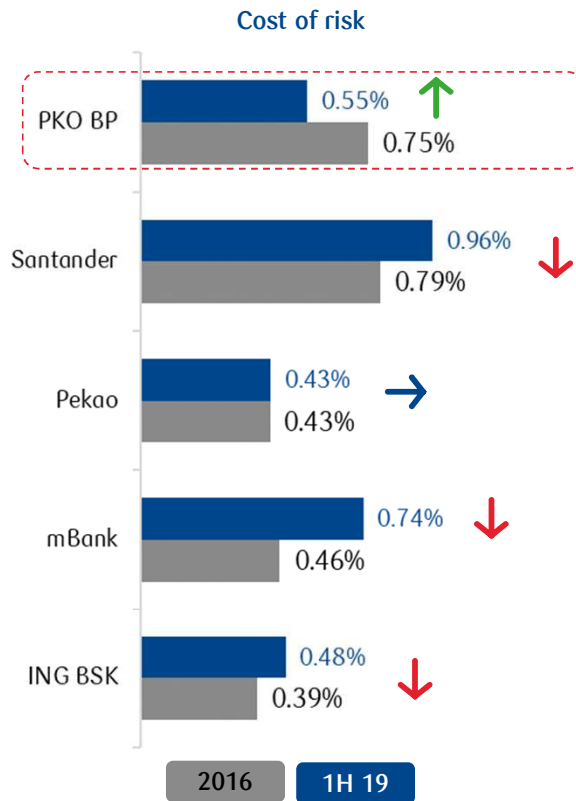


It develops its business in a sustainable manner, supported by a cautious approach to risk management

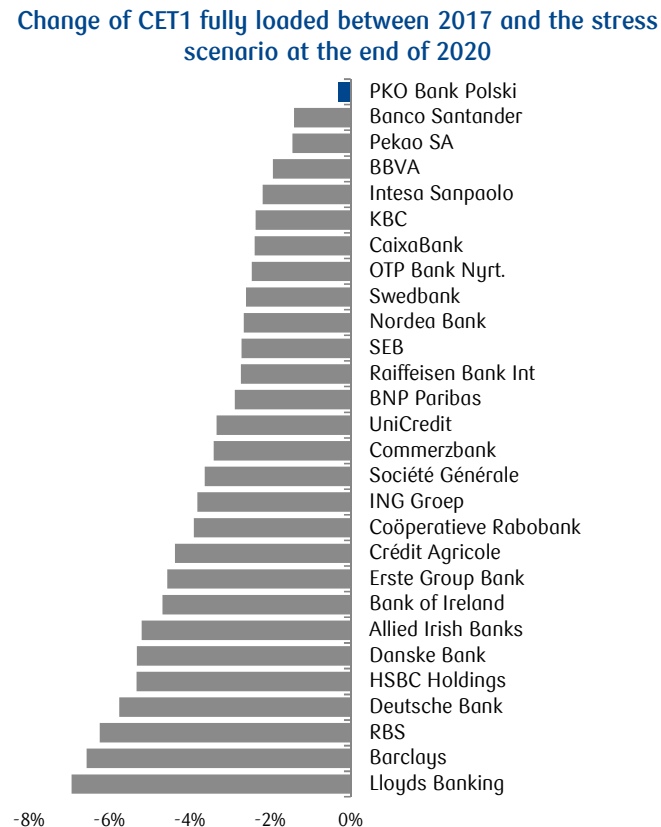
Strong capital position...



... improvement the cost of risk



... the most resilient bank in Europe

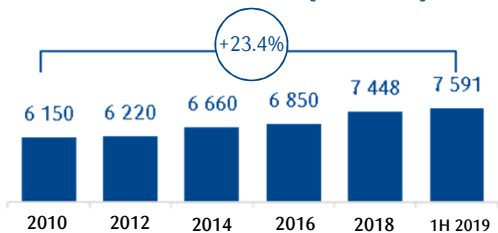


Key: ↑ ↓ → improvement /deterioration/no change compared to 2016

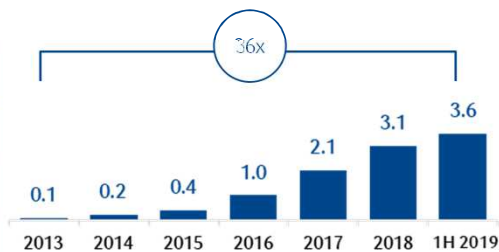
PKO Bank Polski available wherever the Client needs it ...



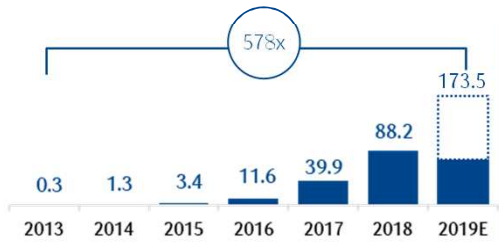
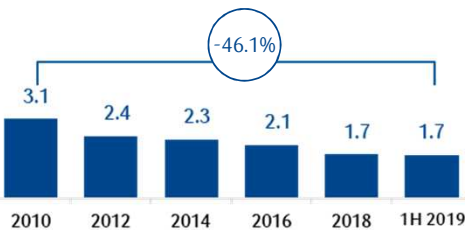
Number of current accounts of individual clients [thousand]



IKO [mln]



Number of corporate clients with access to electronic banking [thousand]



number of ratings (thousand)

Bank	Rating (stars)	Number of ratings (thousand)
IKO	★★★★★ 4.7	230
Millenet	★★★★★ 4.6	134
mBank	★★★★★ 4.6	134
Santander mobile	★★★★★ 4.5	79
Credit Agricole	★★★★★ 4.3	17
Alior Bank	★★★★★ 4.1	12
GOMobile (BGŻ BNP)	★★★★★ 4	4
Moje ING mobile	★★★★★ 3.9	50
PeoPay (Pekao)	★★★★★ 3.8	12
Citi Handlowy	★★★ 2.8	2

Ratings of applications in the Google Play store (Android) - data at the end of February 2019.

Number of IKO transactions [million]

□ Forecast for the end of 2019 based on a trend

PKO Bank Polski in digital transformation since 2010, gaining momentum !



Bank Polski

2010

Traditional bank, decentralized operations

Centralization and automation of back-office

The evolution of tools enabling the preparation of a modern offer

Multi-channel

Technology driven development



Decentralized back office > 3 thousand Branches and agencies
Paper processes
~ 100% sales in branches
No integrated customer knowledge



Integration of sales processes, A new cycle of key processes



CRM 3.0

New CRM platform (analytics, direct campaigns)
New Front-End CRM



PKO Bank Polski

SKO revitalization



New corporate website



Multi-channel sales management
Adjusting the price to the client
Processes available in one click



TODAY

NOW!
Nowa Organizacja i Współpraca



IKO the best in the world



New iPKO

iPKO biznes



Blockchain



Currency online



Insurance Platform



chmura krajowa



PolishAPI

profil zaufany



E-government



e-Identity / national node

„Talk 2 IKO”

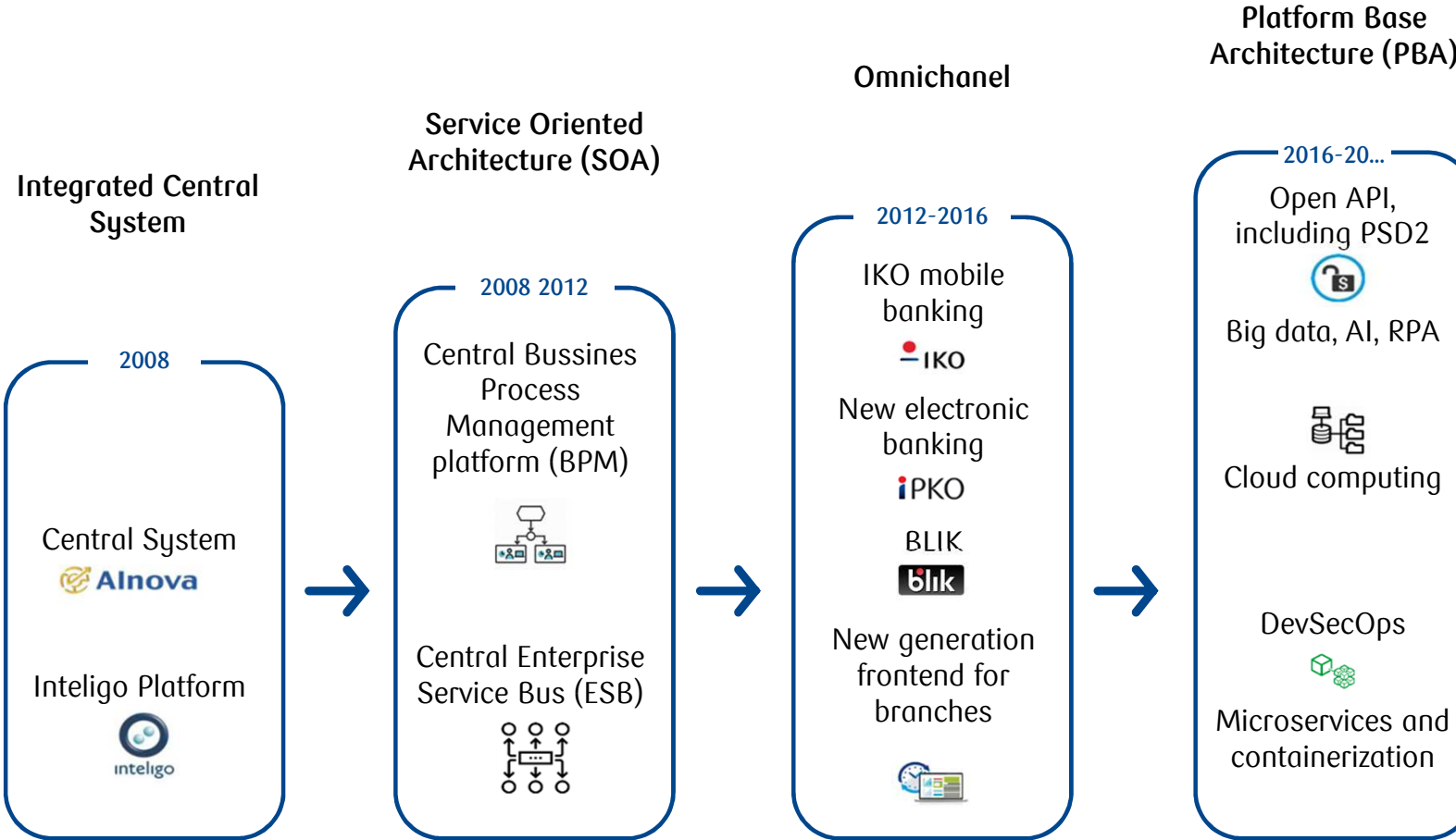


PPK record keeping system

... at the same time transformation of technology platforms



Bank Polski

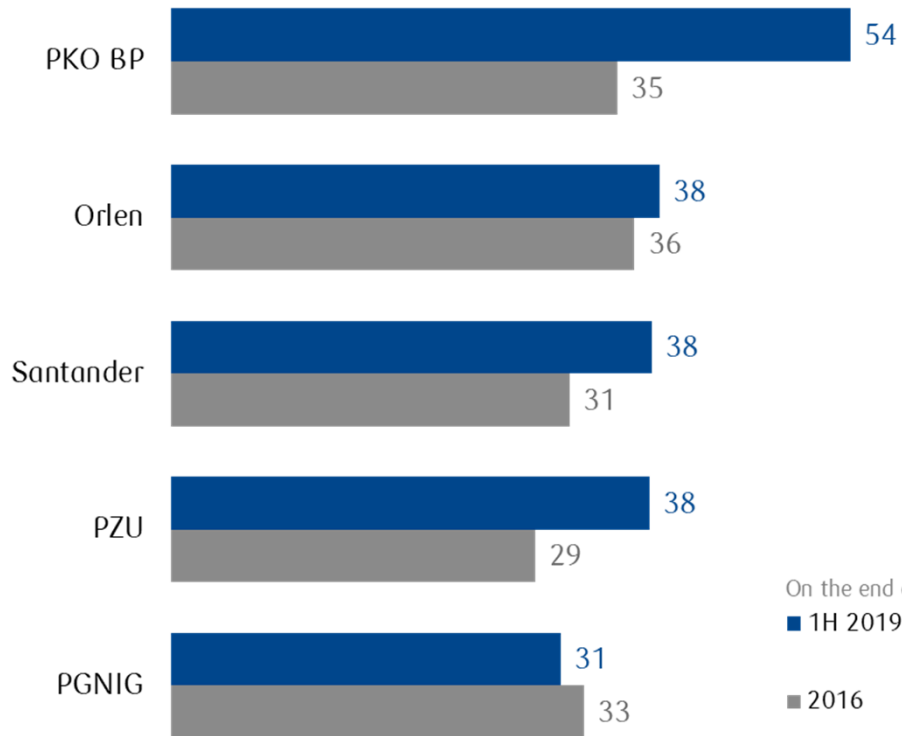


- ~ 6 million transactions and ~ 4 million client logins per day (with dominance of electronic channels)
- >45 implementations per day in the Bank's systems
- A team of ~ 1,500 engineers in the bank supported by the largest IT suppliers
- The most modern Data Processing Centre in Poland

... PKO Bank Polski is the most valuable company on the WSE; a brand appreciated in the country and abroad



Capitalization (PLN billion)



On the end of:
 ■ 1H 2019
 ■ 2016

Source: Infostrefa



the only Polish entity in the group of large FTSE Russell index companies



The best mobile application in the world



Bank of the year in Poland award winner several times



Distinction for modern technological solutions



The „Od IKO do BLIK” project is the best innovation in payments according to EFMA



The most inspiring digital transformation



The most valuable financial brand



The best large commercial bank



Attractive employer



e-administration of PKO Bank Polski awarded in the international BAI Global Innovation Awards

Responsible leader of Polish banking sector

EDUCATION



SKO - a modern, online educational platform

- 1/3 of basic schools in Poland use it, ~ 150,000 accounts

Student loans

- 75% of students applying for a loan decided to cooperate with PKO Bank Polski,
- 52 thousand of clients with PLN 1.4 billion in financing at the end of Q3 2019.



Hello Biznes

- cycle of free company training,
- 80 meetings, 3 thousand participants

Export Support Platform



Long-term savings programs/retirement packages

- ~ PLN 8 billion at the end of Q3 2019.

AVAILABILITY, DIGITALIZATION OF POLISH SOCIETY



Service in sign language

- in ~ 1,600 branches



Blik mobile payment system

- ~ 90% of bank clients in Poland are within its reach,
- 225 million transactions since 2015



Let's Fintech with PKO BP

- entrepreneurship support - one of the most effective cooperation programs with startups in banking in the CEE region

chmura krajowa

- strategic partnership with Google in 2019,
- support for Polish companies in digitization

E-government services

- 700 thousand trusted profiles,
- 2.5 million applications for a total of 500+ and 300+, submitted to iPKO

ECOLOGY

"Green mortgage"

- promotion of energy-saving properties

EeMAP - Energy Efficient Mortgages Action Plan

- program promoting energy-saving mortgages



Support in financing solar installations

SMARTOP project

- > 51% paper reduction at the Bank

Participation in the WIG-ESG index

- 10% (maximum allowable) share in the index covering 60 environmentally friendly companies

HEALTH



Bankowa Akcja Honorowego Krwiodawstwa

- 1.8 thousand people in the blood donation campaign,
- 7,500 l of blood collected since 2009



PKO Bank Polski EKSTRAKLASA

- the largest sponsorship and image project of the Bank,
- platform for the promotion of banking products and services



Biegajmy razem



- 300 mass runs in Poland since 2013

"I run for..."



- 450 actions "Biegnę dla ..." in 7 years,
- assistance for 500 people to a total amount of PLN 6 million

For 8 years of activity, the PKO Fundacja allocated ~ PLN 100 million for social activities

We have achieved our strategic goals 2 years ahead of plan ...

consolidated data

Strategic goals of the Bank	2016	Achievements 1H 2019	Strategy Goals 2016 - 20
Return on capital (ROE)	9.1%	10.7%	>10% ✓
Efficiency (C/I)	47.4%	42.7%	<45% ✓
Appetite for risk (cost of risk)	75 p.b.	55 p.b.	75-85 p.b. ✓
Capital adequacy	TCR: 15.8% CET1: 14.5%	18.6% 17.3%	Ability to pay dividends ✓

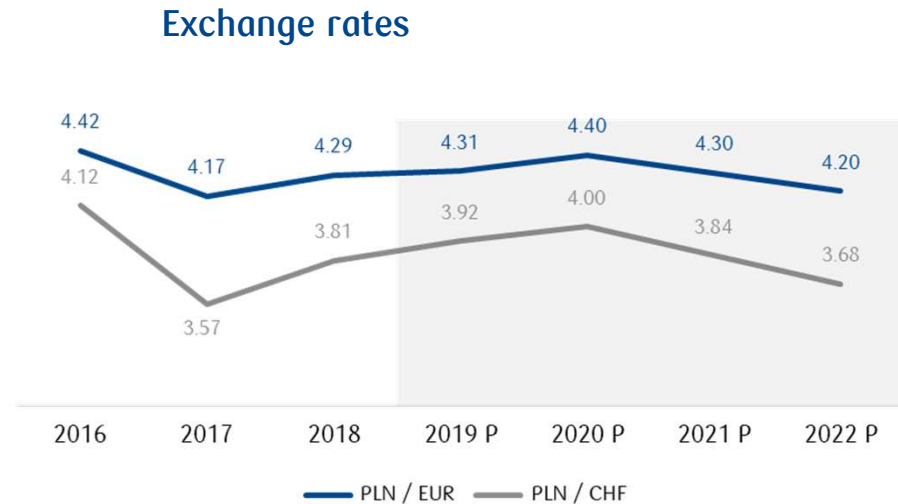
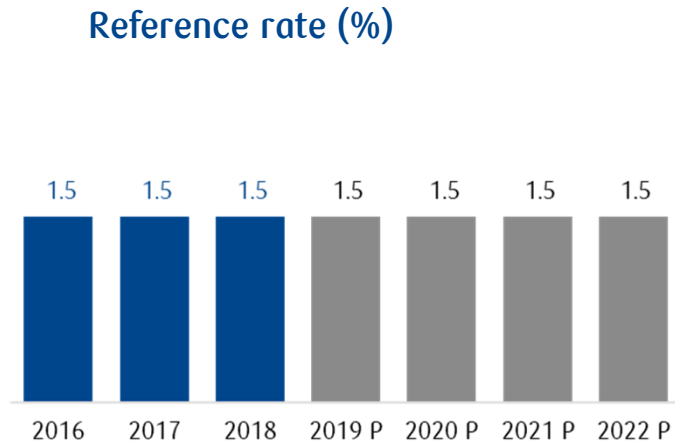
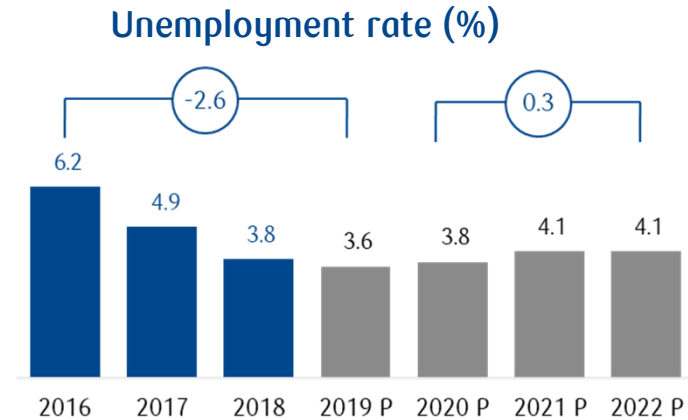
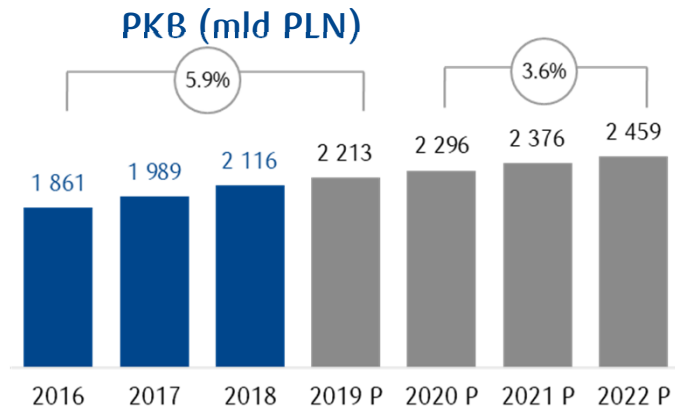
Good moment for a new challenge



Bank Polski

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Macroeconomic forecasts: despite the global slowdown, economic growth in Poland will slow down only slightly



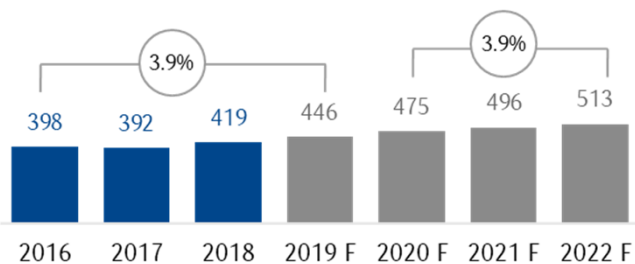
CAGR

change

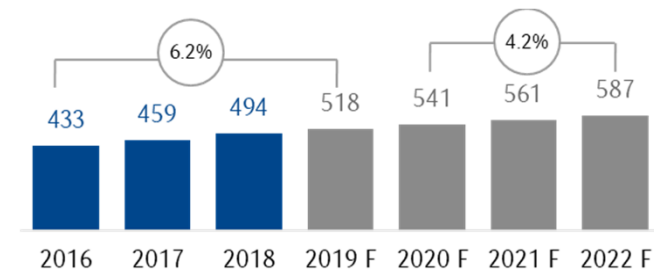
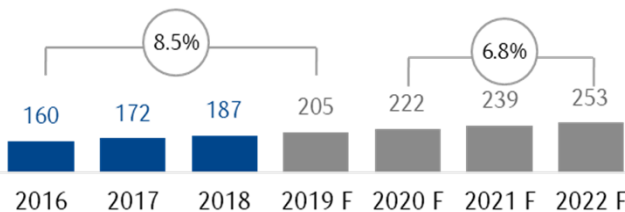
Market growth forecast: slower growth in consumer loans and non-financial business entities

Loans (PLN billion)

for housing for private individuals

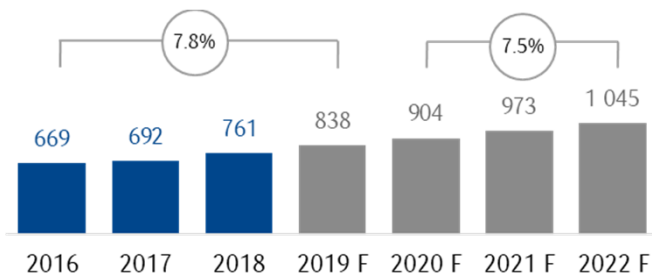


consumer and other

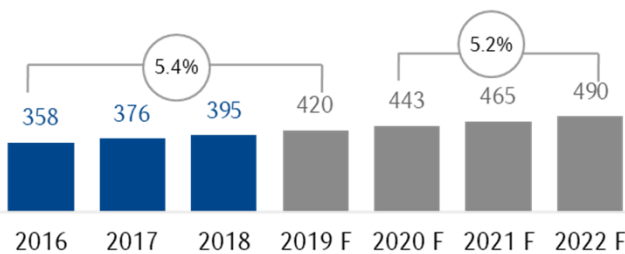


Savings (PLN billion)

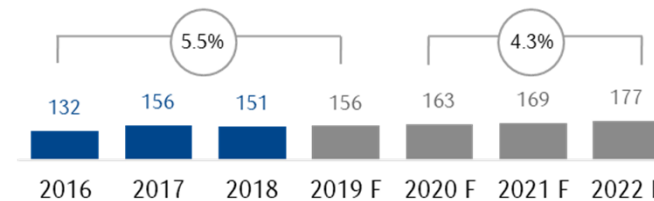
deposits of private individuals



deposits of non-financial business entities



mutual funds



Important challenges have appeared on the market in recent years

Technologies

- Cloud computing
- The use of new technologies (Artificial Intelligence (AI), Blockchain)
- The growing importance of cyber security

Clients

- Higher expectations under the influence of services provided by technology companies
- Smartphone use increase
- Personalization of offers based on data, including in real time
- Sharing Economy
- Time-saving

Challenges of the Polish banking market

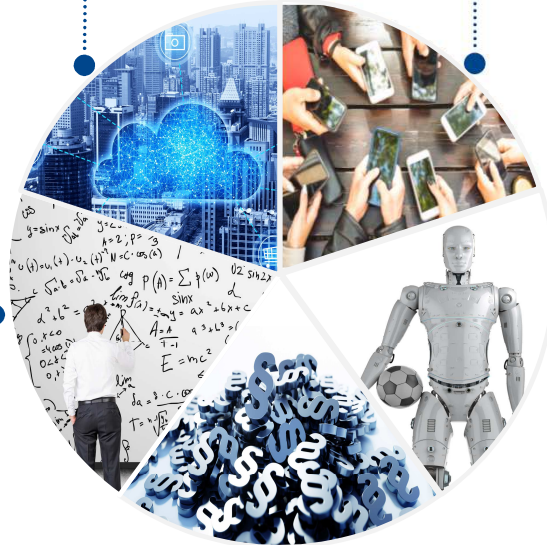
- The future of CHF loans
- High regulatory and capital requirements
- The banking sector „crack“

Regulations

- Regulations create a new competitive space (PSD2)
- Numerous burdens in the areas of security/IT, consumer protection, finance and taxes, risk management

Competitors

- Focused on improving CX and digitally transforming
- Fintechs - "destroying margins", increasing scale and taking over customer transactions
- Bigtechs - dictate new expectations in terms of CX





Bank Polski

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Strategy of PKO Bank Polski: PKO Banking Platform based on four pillars



Bank Polski

4. Shaping competences of the future

- Modern agile working methods, building autonomous and responsible teams. Cooperation.
- Development of technological and leadership competences
- Enabling IT employees to work in the latest technologies.

3. Digital and functional

- Advanced process digitization, robotization.
- Bank in the cloud - scalable IT infrastructure and computing power.
- Automation of the programming production cycle.
- A technology platform for managing of open services.
- Cybersecurity - new technologies for detecting and responding to threats.
- Advanced analytics, AI.



1. Mobile, connected, personal

- Further development of remote channels, digitization of sales and after-sales processes.
- Deepening the banking relationship with the client thanks to the personalized offer.
- Business and enterprise segment development.
- The branch network has an advisory role and educates the client digitally.

2. Open, innovative

- Bank as a platform. Leverage API opportunity and Bank's Capital Group strength to offer innovative solutions for our Clients.
- National Cloud as a sales channel offering pioneering solutions for companies.
- Continuation of foreign expansion.

"PKO Banking Platform"

1. Mobile, connected, personal

We will strengthen customer relationship by offering digital experience in the best mobile application - IKO 5.0



Self-service

Further digitization of sales and after-sales processes and increasing their availability in IKO (digital acquisition, digital financing, e-commerce financing, digital mortgage, robo advisor)

360 View

Leveraging PSD2 opportunities
Financial management from one place
Smart Personal Finance Manager

Ecosystem

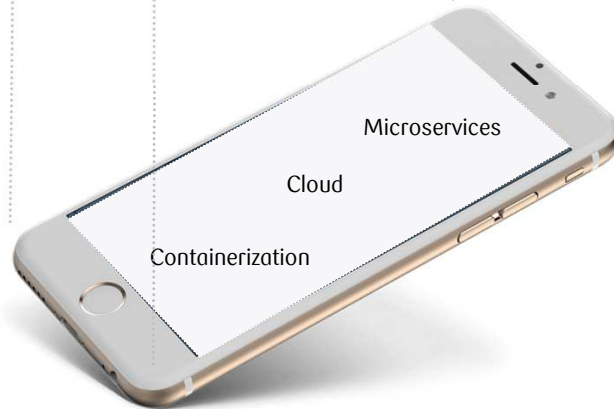
Further development of the digital ecosystem supporting society



Insurance platform



Vehicle platform



Talk2IKO

Chat

Authorization

Contextual search engine

4.8/5 ★★★★★



5 million in 2022

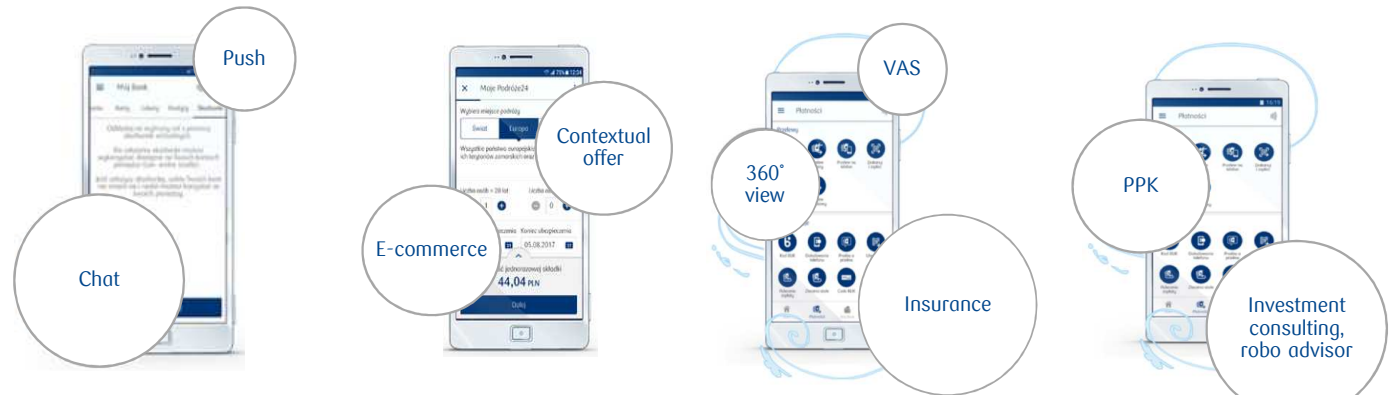
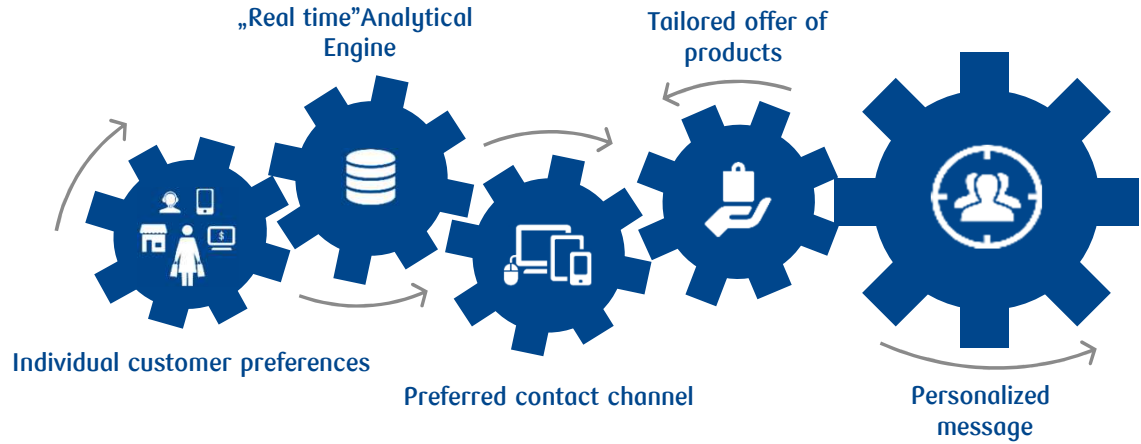


1. Mobile, connected, personal

Tailored to the client, their needs and preferences - personalized offer



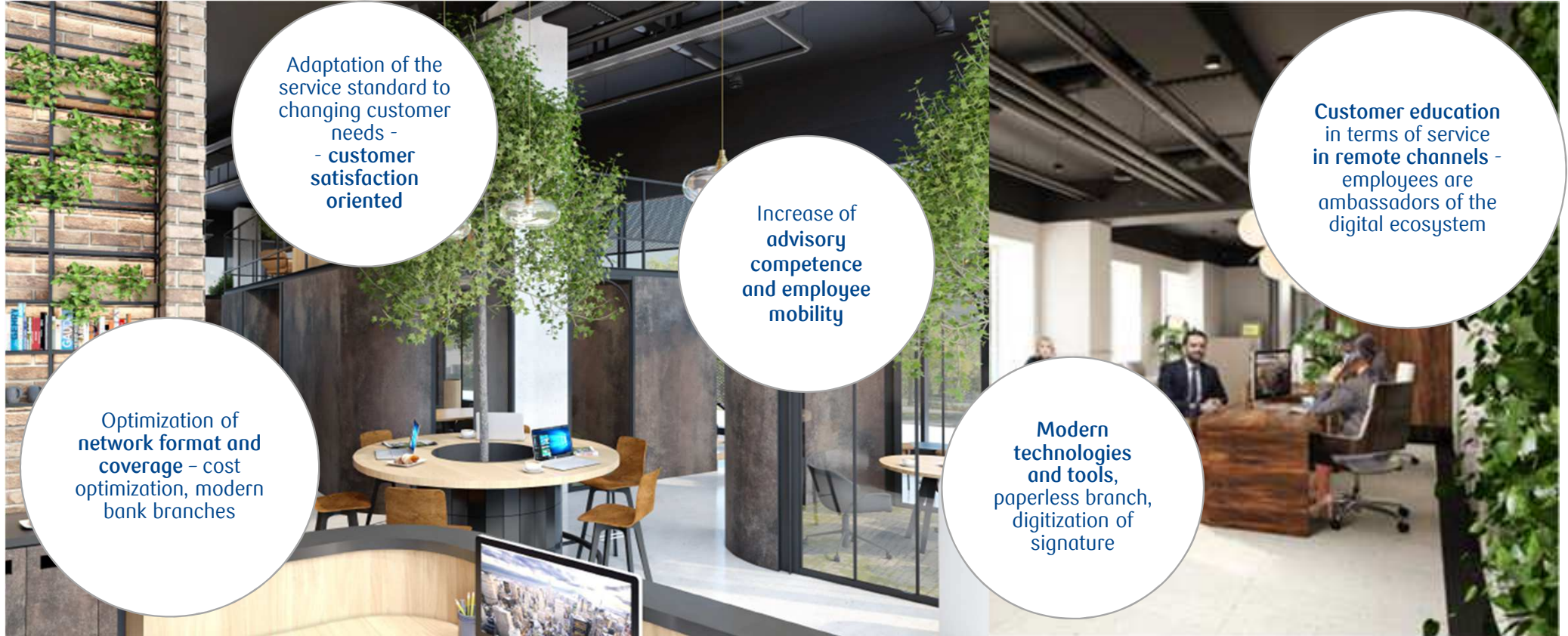
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Branches as an advisory and digital education centres



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Adaptation of the service standard to changing customer needs -
- **customer satisfaction oriented**

Increase of **advisory competence and employee mobility**

Customer education in terms of service in **remote channels** - employees are ambassadors of the digital ecosystem

Optimization of **network format and coverage** - cost optimization, modern bank branches

Modern technologies and tools, paperless branch, digitization of signature

Supporting the entrepreneurship of Poles

Support in business start-up ...



- Simple processes of setting up a company and account in all channels (+ CEIDG).
- A competitive account offer for small businesses, including start-ups and e-commerce.
- The PKO Bank Polski Group catalyst for customer acquisition and onboarding

... comprehensive company service ...



- IKO functionalities for business clients.
- The development of value-added services as an element of customer value (micro-factoring, micro-leasing).
- Development of credit processes, including the process of renewing overdraft, prelimits at IKO

... and pioneering offer of cloud products on the market



- National Cloud services such as: future stand, office package, network drive - data exchange.
- „One click company”, service enabling full company management in just few "clicks".

Using technology, we will efficiently onboard corporate clients and adjust our offer



Bank Polski

We improve key processes ...



- Optimization of credit processes (improvement of all key elements of the standard credit path, implementation of the fast path; shortening time to make credit decisions)
- New Clients onboarding process
- Solutions that help customers comply with regulations (checking contractors - white list, split payment)

... we optimize digital tools for advisors ...



- Unification and integration of tools supporting strengthening customer relationship
- Leveraging advanced analytics for sales opportunities

... sales model - improvement of industry and specialized competences

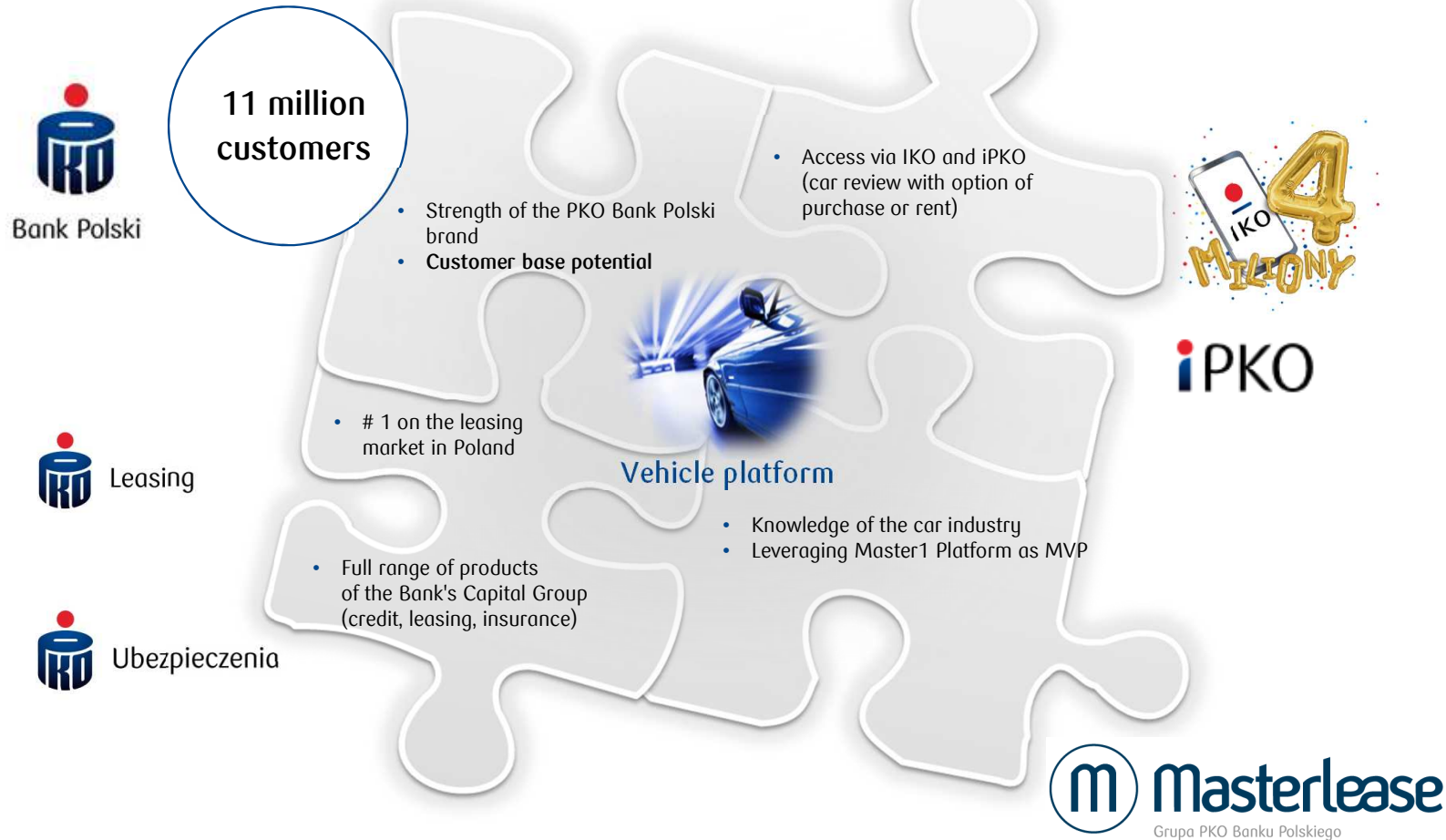


- An advisor equipped with mobile tools
- More Product Specialists and industry expertise

With intuitive access to additional innovative products - example of the car ecosystem



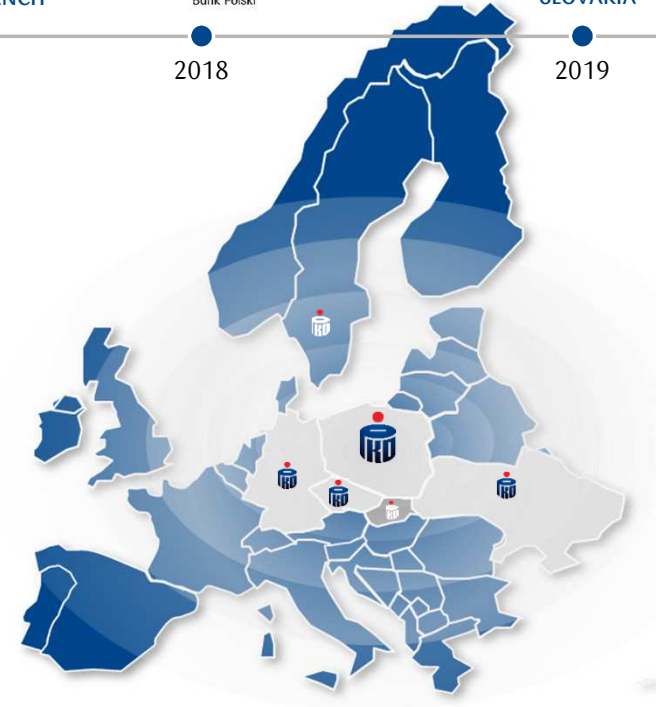
Bank Polski



We are consistent in implementing international expansion strategy



- Development of a network of foreign branches
- Development of new products in foreign branches (leasing, factoring)
- Development of the Export Platform
- New customer segments served in branches (SME, CPR)
- Possibility to deposit funds from the issue of MREL debt in new markets (increased lending in EUR)



We focus on continuous technological progress ...

Bank in the cloud

- The latest technologies enabling fast, automatic implementations
- Scalable IT infrastructure and computing power
- Simple prototyping, easy access to value added services (VAS)

Technology platforms

- Automation of the programming production cycle (DevSecOps)
- Microservices and containerization
- Flexibility in using the "the box" offers
- Development of communication platforms (chatbots)

Cybersecurity

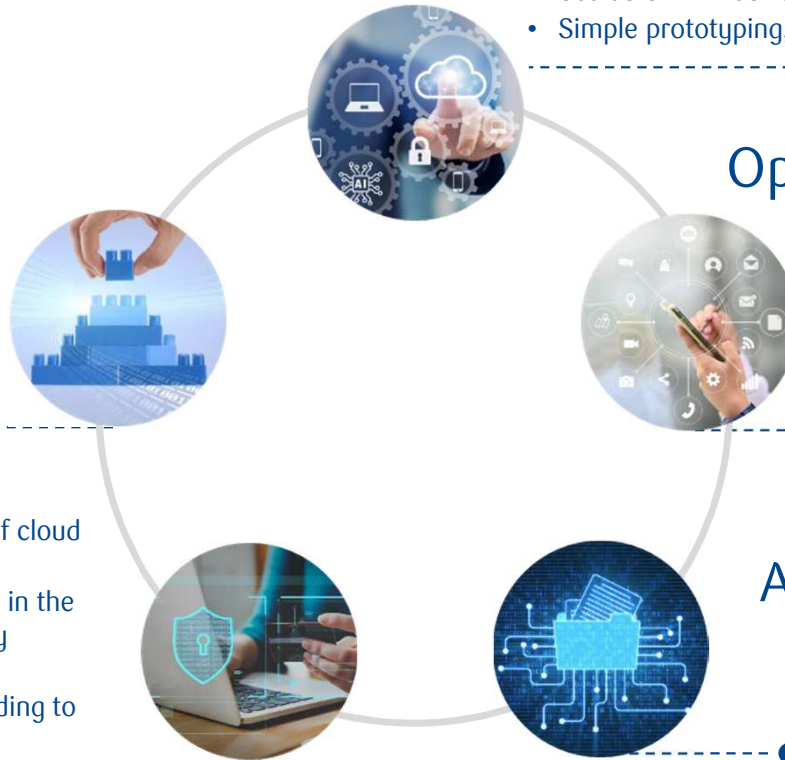
- Ensuring security and business continuity of cloud solutions
- Security of the process of frequent changes in the application code and automation of security processes
- New technologies for detecting and responding to threats; building awareness of threats

Open Banking

- Technology platform for open services management
- Client authentication (eID) and authorization available on websites of external entities
- Marketplace; websites aggregating data and services from various companies and transaction systems

Advanced Analytics

- Platform for advanced predictive analytics in the area of CRM, risk and fraud,
- Big Data platform providing information on events in online mode
- Central Operational Information Hub - a complete source of data from all of the Bank's systems
- Business Intelligence platform



We are lean and digital also in the area of Back Office



Further automation and robotization of operations

- Process automation, where human intervention is only required with handling exceptions
- Further use of RPA (robotics processes)



Autonomous processes supported by artificial intelligence (AI)

- Talk2IKO - the use of voice technology in a mobile application
- Chatbots and artificial intelligence (AI) used in service, contact with the customer and recovery
- AML / KYC and transaction monitoring
- Recruitment using chatbots and video technology



Process optimization using the Lean and Agile methodology

- Further centralization
- Simplification of processes
- Flattening of the structure

4. Shaping competences of the future

We create friendly and modern work environment



Bank Polski

People development #PrzełączSięNaRozwój



- Acquiring and developing technological competences, including developers, data analysts (data scientists), UX experts, cloud competences.
- Providing employees with assignments leveraging best in class technologies.
- Modern recruitment platforms attracting the greatest talents.
- Dedicated development programs supporting employee mobility.

Friendly work environment #LubięTuPracować



- Working in agile methodologies.
- Efficient tools for remote work.
- Modern office space supporting cooperation and creativity.

The Bank conducts its operations responsibly, taking into account non-financial factors (ESG) ¹



Bank Polski



because:

- ✓ is aware of the challenges resulting from climate change,
- ✓ gradually eliminates activities that harm the environment,
- ✓ supports environmental education

- ✓ is guided by the principle of social responsibility
- ✓ takes into account the impact of its activities on society, customers, suppliers, employees and shareholders

- ✓ improves corporate governance
- ✓ ensures transparency of company management rules

¹ ESG (environmental, social and governance)

Financial and operational objectives 2022



PKO Bank of the Future

ROE

12%

Net profit
(PLN billion)

> PLN 5 billion

Costs/Income (C/I)

~41%

The cost of risk

0.60% - 0.75%

Dividend
payment

Ability to pay
dividends

- Customer's satisfaction
- Digital sale
- Operational efficiency

PKO Bank of the Future

Vision and aspirations



Bank Polski



> 5 billion
Profit

> 5
million
users IKO

Bank in
the cloud

Deepening customer relationships - responding to individual needs

- Data analytics and personalization

Digital acquisition and sales

- IKO 5.0
- Network with an advisory and education role

Innovative products and services (also technological)

- Technological and cloud products
- Ecosystem: Marketplace, API
- eID, ePaństwo

Simple Bank

- Optimization of internal processes
- Digitization of tools

A bank in cloud technology and an innovative, digital culture