



Bank Polski

Financial results 2019

PKO Bank Polski into the new century
with a record profit

Key achievements in 2019



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- Record annual profit, which for the first time in history has exceeded PLN 4 billion
- Assets increased by 24 billion y/y to PLN 348 billion
- High profitability maintained; ROE at 10% despite the recognition of legal risks
- Rising dividend attractiveness

*On track to deliver the new strategic goals
of PKO Banking Platform 2020-2022*



- The economy in a slowdown phase
- Growth moderation may be limited by growth in private consumption
- Public finance sector close to break even (according to EU ESA methodology)
- Low probability of NBP interest rate hikes, despite rising inflation



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Key achievements

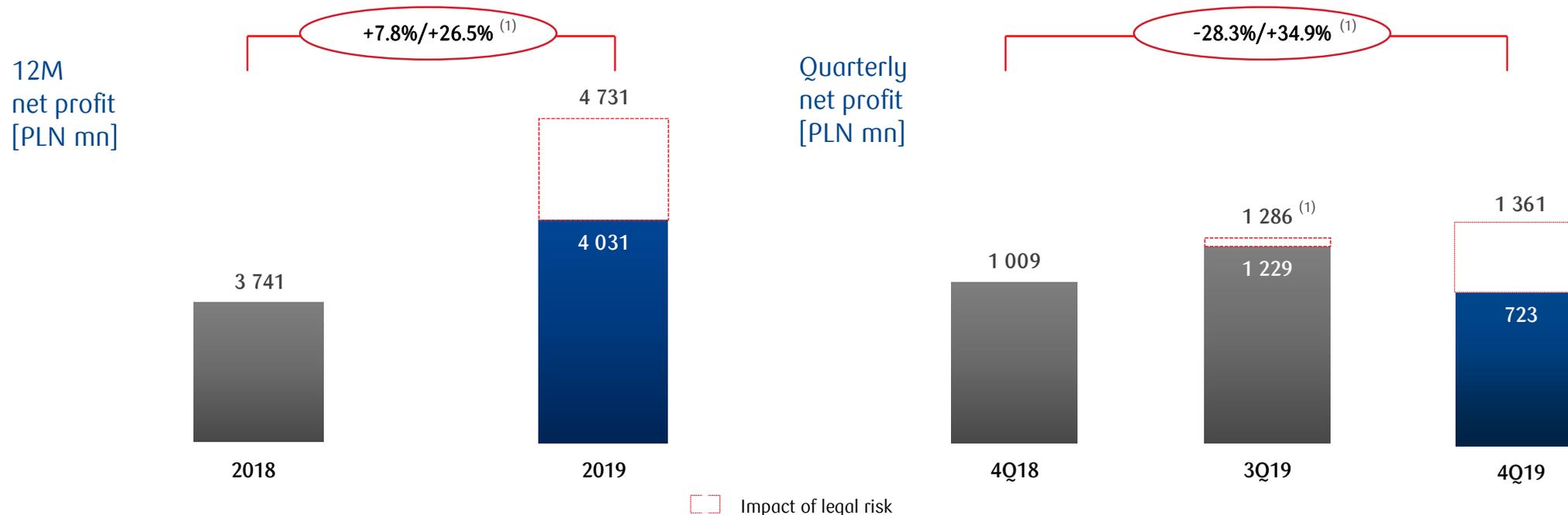
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KEY ACHIEVEMENTS

Annual profit level of PLN 4 billion



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Annual profit at a record level of PLN 4 billion despite the recognition of legal risks

⁽¹⁾ Change without taking into account the impact on net profit:

- legal risk of mortgage loans: in the entire 2019 (PLN -451 million), in 4Q19 (PLN -446 million);
- potential refund of commissions for an early repayment of retail loans: in 2019 (PLN -305 million gross), in 3Q19 (PLN -69 million gross), in 4Q19 (PLN -236 million gross), net of tax in 2019 (PLN -249 million), in 3Q19 (PLN -57 million) and in 4Q19 (PLN -192 million).

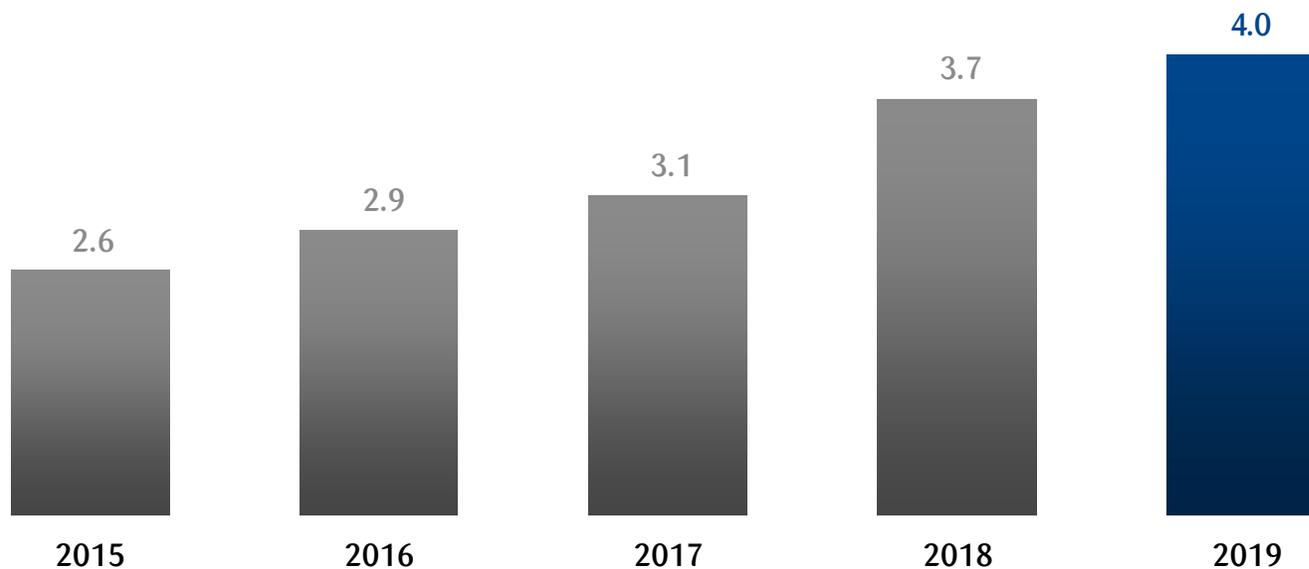
KEY ACHIEVEMENTS

Net profit evolution over the last 5 years



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12M
net profit
[PLN bn]



KEY ACHIEVEMENTS

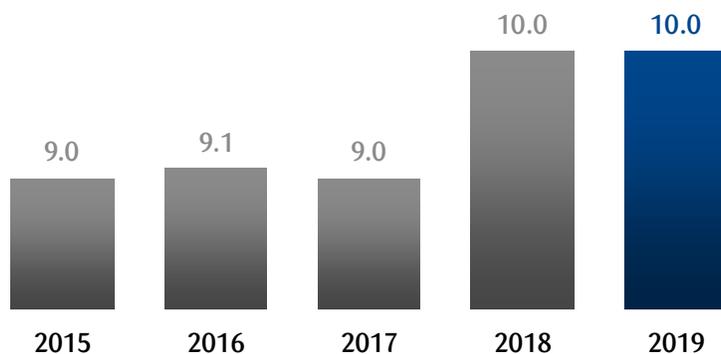
Selected indicators over the last 5 years



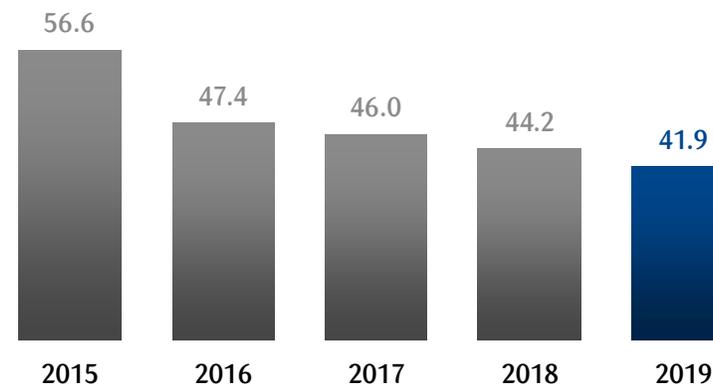
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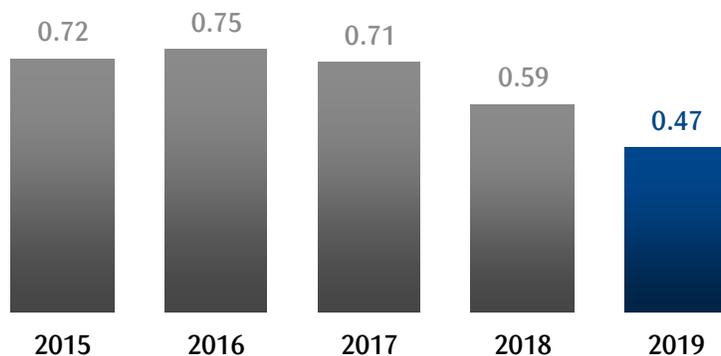
12M ROE [%]



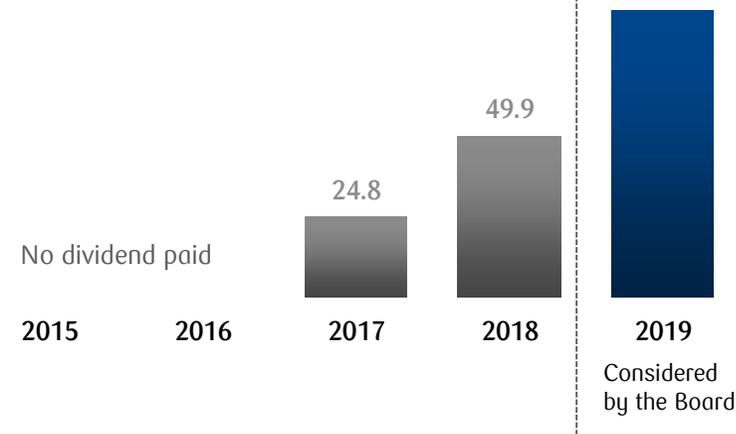
12M Cost / Income [%]



12M Cost of risk [%]



Dividend payout rate [%]



KEY ACHIEVEMENTS

PKO Banking Platform 2020-2022

Strategic financial targets



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	2017	2018	2019	Strategic goals 2022
ROE ⁽¹⁾	9.0%	10.0%	10.0%	12.0%
C/I	46.0%	44.2%	41.9%	~41%
COST OF CREDIT RISK	0.71%	0.59%	0.47%	0.60%-0.75%
NET PROFIT	PLN 3.1 bn	PLN 3.7 bn	PLN 4.0 bn	> PLN 5 bn
EQUITY	TCR: 17.4% CET1: 16.5%	TCR: 18.9% CET1: 17.5%	TCR: 18.4% CET1: 17.2%	Ability to pay dividends

⁽¹⁾ Return on tangible equity (adjusted for goodwill and intangibles): 10.9% in 4Q19, -0.1 p.p. y/y.

KEY ACHIEVEMENTS

The strategy of PKO Bank Polski: PKO Banking Platform based on four pillars



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4. Shaping competencies of the future

Motivated and committed Team with competences tailored to new business challenges, working in agile methodology, using best in class technologies.

3. Digital and efficient

Digital and automated processes with minimal manual handling requirements, no paper, no signature, fast and secure Bank in the cloud.



1. Mobile, connected, personal

Digital banking model leveraging advanced analytics to provide personalized experience in Clients' everyday moments.

2. Open, innovative

Leveraging open banking opportunities, strategic partnerships and cloud solutions to offer innovative services to Clients.

KEY ACHIEVEMENTS

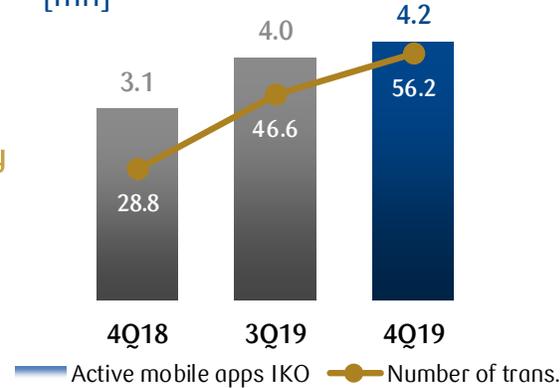
The best mobile banking app in the world and an ecosystem of value-added services



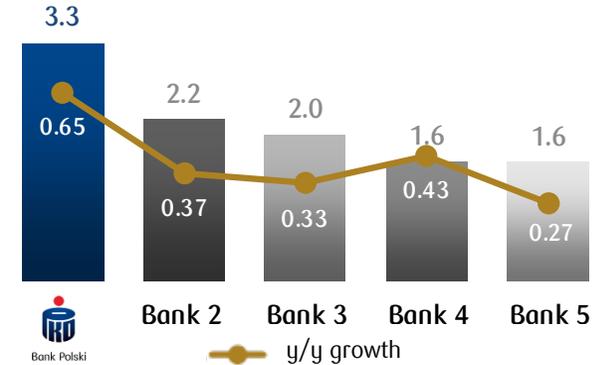
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Number of IKO applications and number of transactions [mn]



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



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

Strategy aims at providing clients with a comprehensive service through our IKO app and increasing the number of IKO applications to 5 million

⁽¹⁾ According to PRNews data for 3Q19, users who have logged in at least once a month from a mobile device (mobile application, lite version or full transactional service).

READY FOR THE FUTURE

Our road to the Cloud

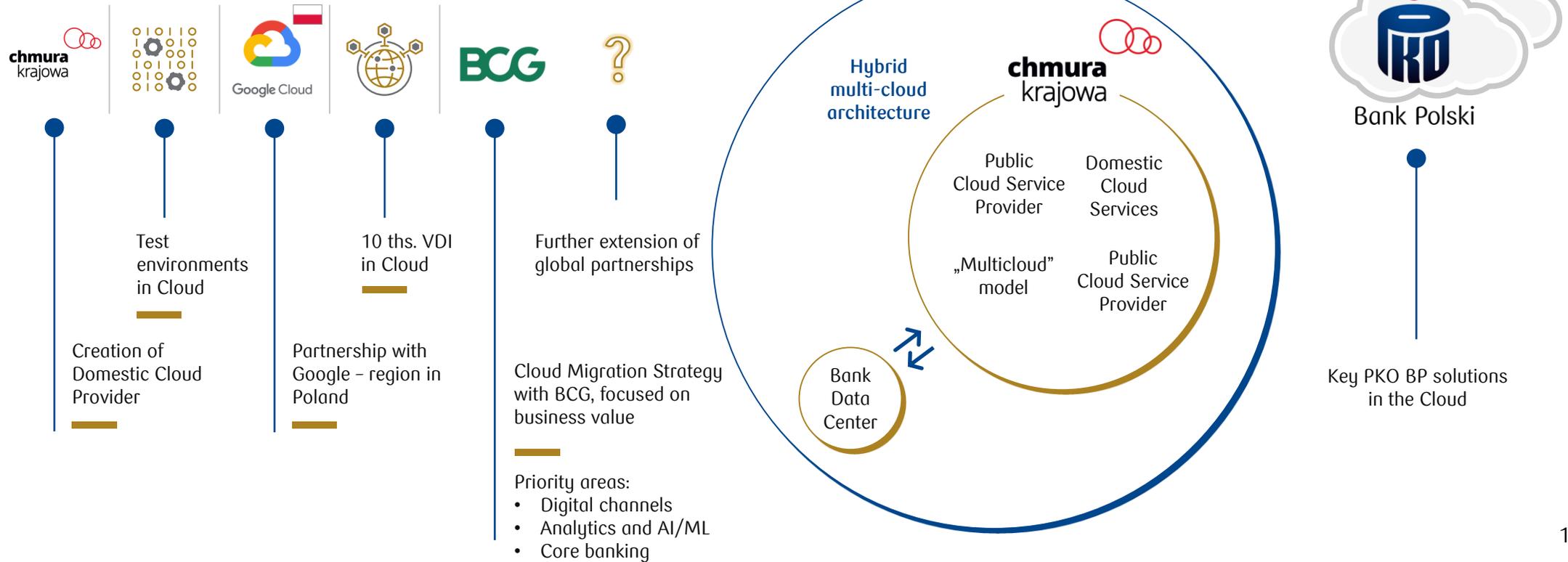


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.. 2018 2019 2020 2020-2022 >

Road to the Cloud

Bank in the Cloud





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Business activity

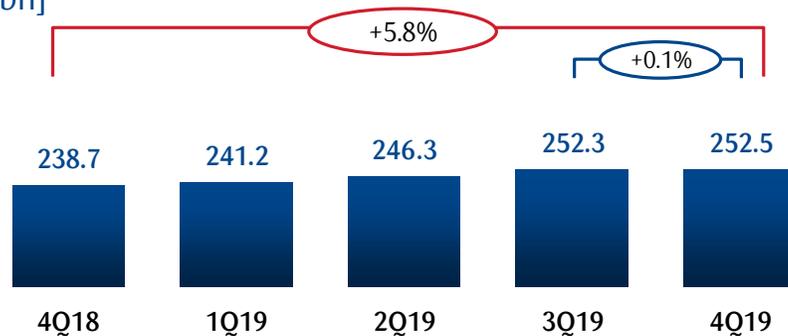
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Dynamic growth of scale of business operations

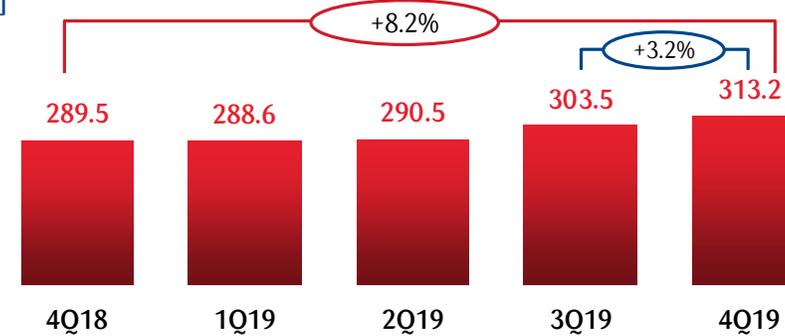


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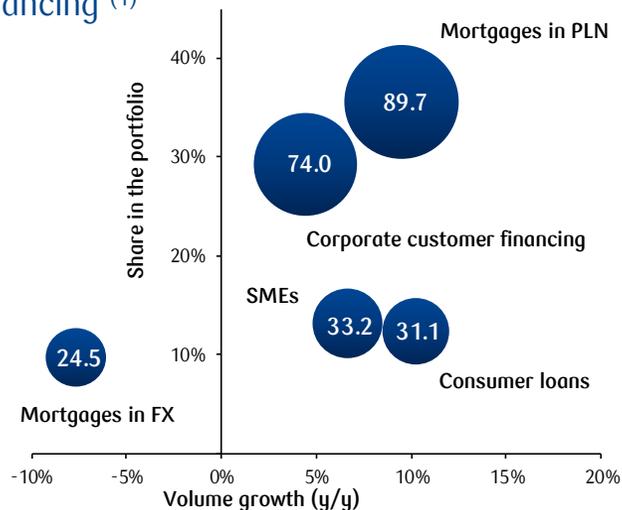
Gross customer financing ⁽¹⁾
[PLN bn]



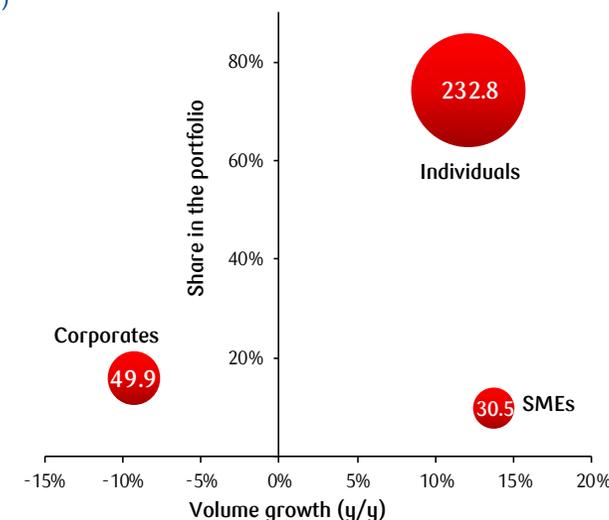
Customer savings ⁽²⁾
[PLN bn]



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.

BUSINESS ACTIVITY

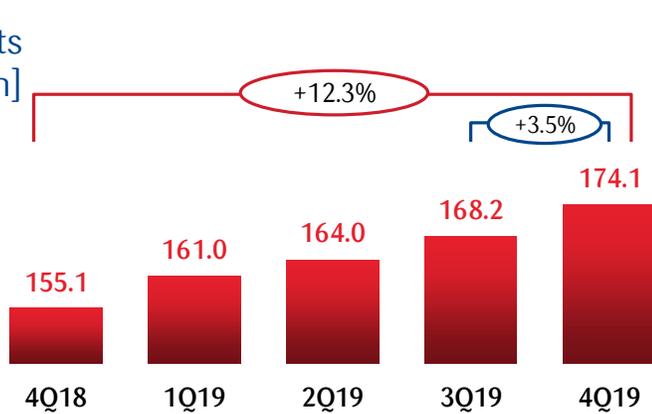
Households: PKO BP Group is leading the retail savings and investment market



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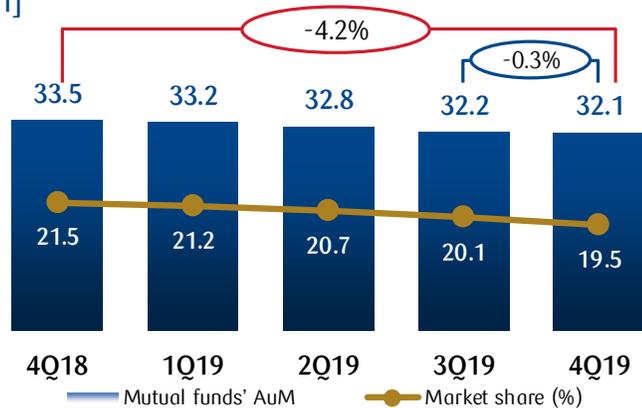
Deposits [PLN bn]



1 541 Employee Pension Plans (PPK) signed with PKO TFI (market leader with a 40% share)

1.1 million employees of 1 541 large firms joined PPK with PKO TFI. Customers include e.g. Allegro, Leroy Merlin Polska, T-mobile, Play, Jeronimo Martins Polska, Lidl Polska and Grupa Azoty ZA Puławy.

Mutual funds' AuM ⁽¹⁾ [PLN bn]



New features in online FX exchange

Customers can use currency exchange orders when the exchange rate reaches a predetermined level, and set a standing order. Since the launch of the online currency exchange in January 2018, customers have made over 3 million transactions - of which 63 percent were executed via the IKO mobile app.



Increase in savings invested in State Treasury bonds

At the end of 2019, retail customers invested PLN 26.6 billion (+39% y/y) in State Treasury savings bonds. The attractiveness of the Treasury's offer led to preference of this form of savings by customers at the expense of mutual funds.

⁽¹⁾ Non-dedicated assets.

Households: growth in PLN mortgage and consumer loans

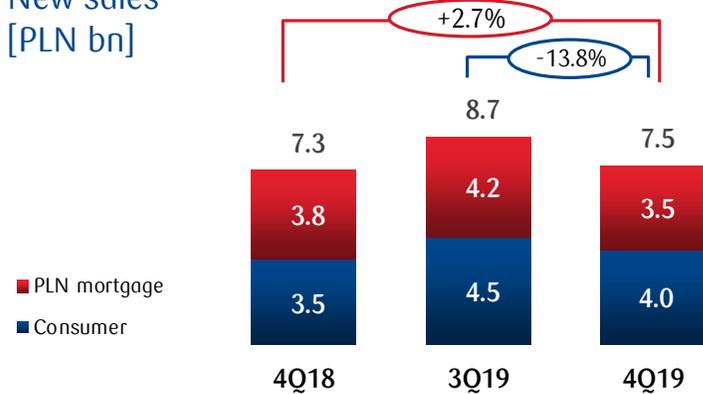


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Consumer and mortgage loans

New sales [PLN bn]



Volume outstanding ⁽¹⁾ [PLN bn]



Paperless signature in branches on a touch screen

Confirmation of cash deposits and withdrawals as well as transfer orders by signature on a touch screen already available in 56 bank branches – and will become 500 by the end of June 2020.



PKO Bank Polski and two other banks jointly invested in Polish fintech Autenti

The investment will accelerate digitization of banks by implementing e-signature. According to forecasts, in 2023 the global market for electronic signatures will be worth USD 5.5 billion, i.e. in 5 years it will increase by more than 1/3 (36.7%). The banking sector has the greatest potential to benefit from such digital document circulation.



Transport and parking fare payment in IKO app

2 042 thousand transport tickets sold for PLN 5.8 million since the launch of the service. Parking fare payment service in IKO used by 8.5 thousand users which made over 25 thousand transactions.

BUSINESS ACTIVITY

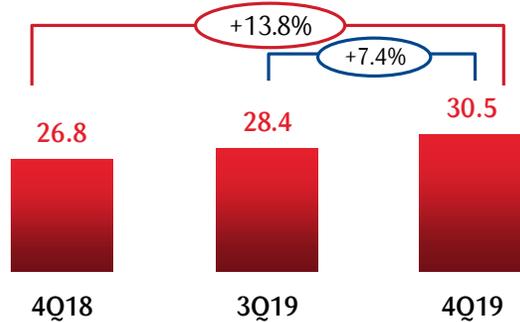
Small & medium enterprises: increase in financing and savings



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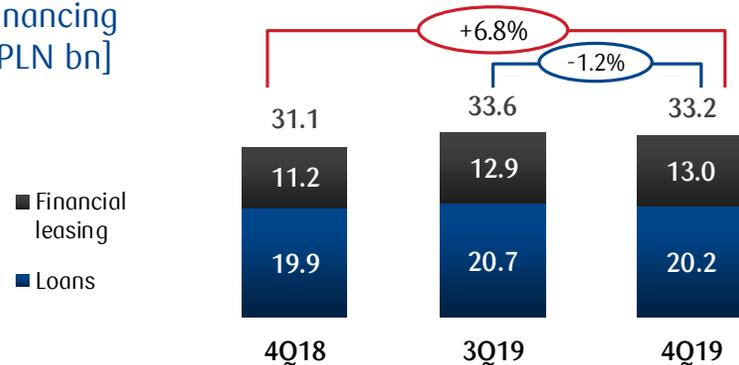
Deposits [PLN bn]



New PKO Leasing Strategy: digitization and Car Platform

The strategy assumes: standardization, digitization, robotization and increasing market share to nearly 17 percent by the end of 2022, an online car distribution platform will be created and integrated with the digital channels of PKO Bank Polski.

Gross customer financing [PLN bn]



Cloud disk

The Bank piloted the Cloud drive, which allows you to store files (documents, photos, etc.) on an online disk and have an unlimited online access to them from your computer, smartphone or tablet.



In iPKO biznes, you can check if the contractor is on the white list of VAT taxpayers

The one-click service is available free of charge on the iPKO biznes website when you create: one-off transfers, split payments, transfer packages and standing orders.

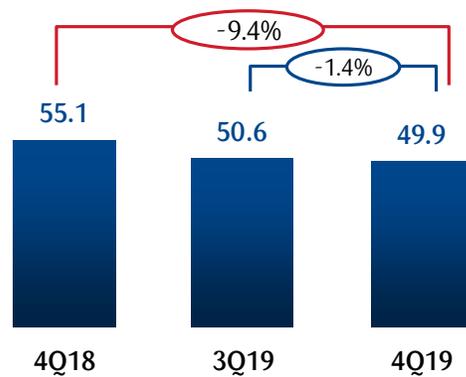
BUSINESS ACTIVITY

Corporate and investment banking: increase in customer financing amid deposit base optimization



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Deposits [PLN bn]

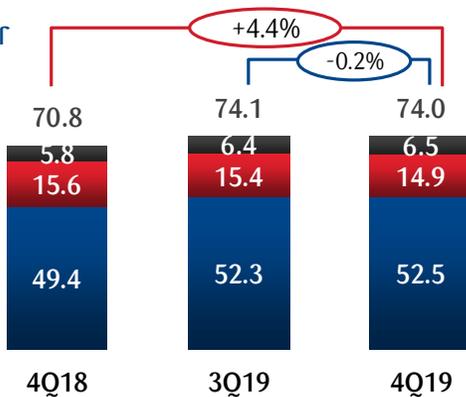


PKO Bank Polski has strengthened its leadership position in serving corporate clients:

- increased the scale of customer financing by PLN 2.9 billion y/y and market share,
- acquired approx. 0.5 thousand new customers – currently serves over 15.1 thousand corporate clients and budgetary units, including 170 of the largest capital groups of the Polish economy,
- systematically increases the offer and sale of transactional banking products – in 2019 the share of non-credit revenues reached 47%.

Gross customer financing [PLN bn]

- Leasing and factoring
- Bonds: corporate and municipal
- Loans



 Consortium Loan 2 000 000 000 PLN Lender	 Corporate Bond Issuance 1 000 000 000 PLN Co-Lead Manager, Co-Book Runner, Consortium Member	 Corporate Bond Issuance 300 000 000 PLN Lead Manager, Dealer	 Corporate Bond Issuance 750 000 000 PLN Lead Manager, Dealer, Calculation Agent, Document Agent	 Corporate Bond Issue 2 000 000 000 PLN Program Agent, Organizer, Dealer, Documentary Agent	 Syndicated syndicated loan in the ESG-linked formula 2 000 000 000 PLN Original Lender, Organizer	 Investment Loan 120 000 000 PLN Lender	 Closed deposits and withdrawals service covering over 500 stores Investment and working capital financing 412 000 000 PLN Lender	 Syndicated Loan – construction of the Warsaw Unit office bid 135 932 000 EUR Lender, Loan Agent	 Syndicated Loan 10 000 000 000 PLN Original Lender, Organizer	 Syndicated Loan 108 505 000 EUR Lender, Loan Agent, Security Agent	 Corporate Bond Issue 160 000 000 PLN Organizer, Dealer, Technical Agent, Calculation Agent, Market Animator	 Syndicated Loan 500 000 000 USD Original Lender, Organizer	 Syndicated Loan 382 500 000 EUR Pierwotny Kredytodawca, Organizer	 Syndicated Loan 166 877 000 PLN Kredytodawca, Agent Kredytu, Agent Zabezpieczeń	Bilateral financing of warehouse spaces and distribution centers with a total area of 353,000 m ² (3 locations) for the total amount: 142 000 000 EUR Lender
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Financial results

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 Annual net profit has exceeded PLN 4 billion for the first time in history

 Profitability maintained at a high, double-digit level (ROE 10%)

 High cost efficiency (C/I decreased to 41.9%)

 Consistent decline in cost of risk (0.47%), significantly below the strategically-defined level

 Further increase in scale, total assets amount to PLN 348 billion

FINANCIAL RESULTS

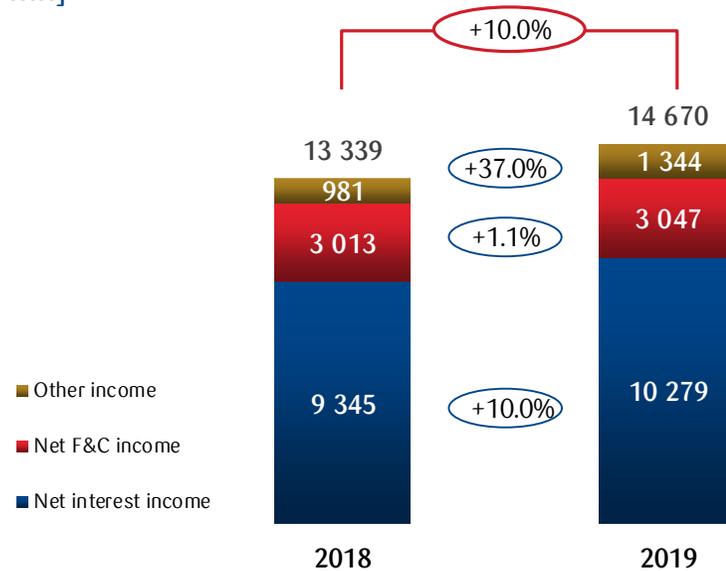
Further improvement of revenues despite recognition of legal risks



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Result on business activity
[PLN mn]



Quarterly result on business activity
[PLN mn]



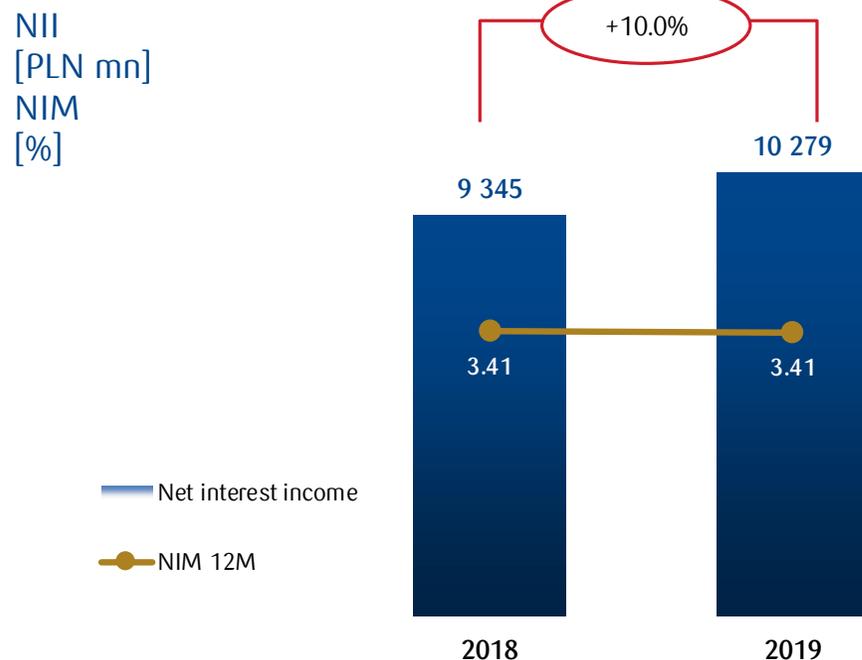
- ⁽¹⁾ The result on banking operations in 2Q19 was influenced by: badwill of PCM (+ PLN 80 million) and reversal of provision for durable medium (PLN +58 million), included in other income.
- ⁽²⁾ The result on banking operations in 3Q19 was influenced by the creation of a provision for commission return for an early repayment of retail loans (PLN -69 million), lowering the other income.
- ⁽³⁾ In 4Q19, the following factors had an impact: final badwill recognition from PCM (PLN +22 million) and PSP valuation (PLN +57 million), recognition of commission returns for an early repayment of retail loans (PLN -236 million, of which PLN -58 million in other net operating income and expenses).

FINANCIAL RESULTS

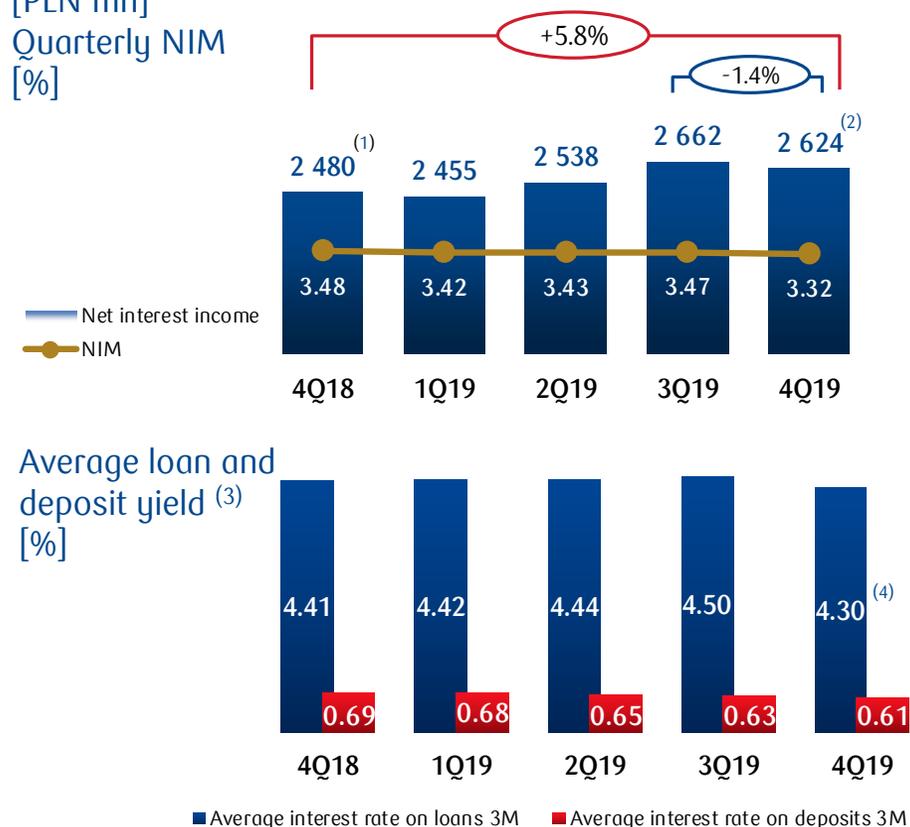
High level of net interest income



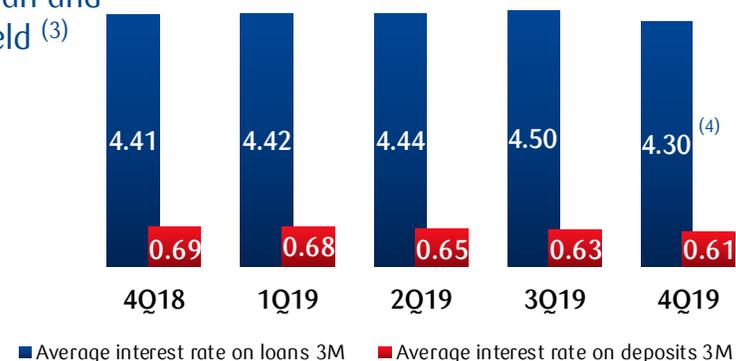
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Quarterly NII [PLN mn]
Quarterly NIM [%]



Average loan and deposit yield⁽³⁾ [%]



(1) After non-standard transaction adjustments, quarterly NII in 4Q18 would amount to PLN 2 450 million and quarterly NIM stand at 3.44%.

(2) After adjusting for the effect of creating a provision for partial reimbursement of commission for an early repayment of retail loans, the interest result would be PLN 2 802 million, and the interest margin in Q419 would be 3.55% (other non-standard transactions account for PLN 42 million, i.e. 5 bps).

(3) Quarterly average loan and deposit yield.

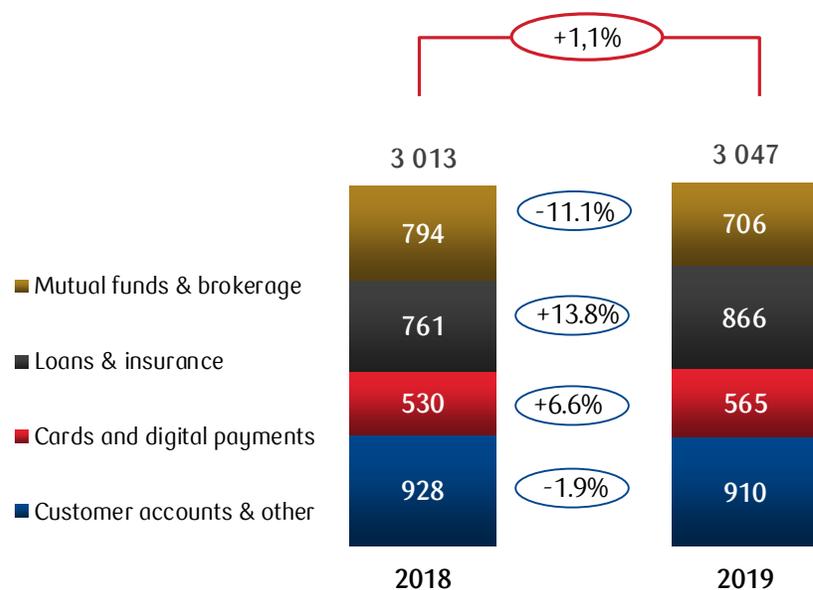
(4) After adjusting for the return of part of the commission for an early repayment of retail loans, the average interest rate on loans in Q419 would stand at 4.59%.

Improvement in net fee and commission result

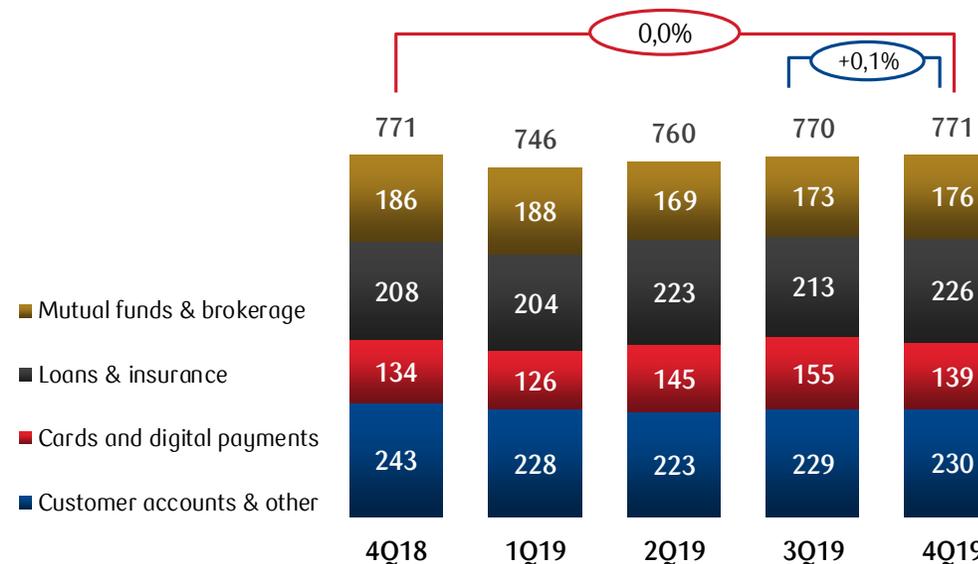


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Net F&C
[PLN mn]



Quarterly net F&C
[PLN mn]



- Growth of loans and insurance, mainly business, leasing and credit-related insurance
- Increase in card fees due to growth in the number of active cards and higher transactionality
- A drop in commissions related to the capital market, including the impact of regulatory changes

FINANCIAL RESULTS

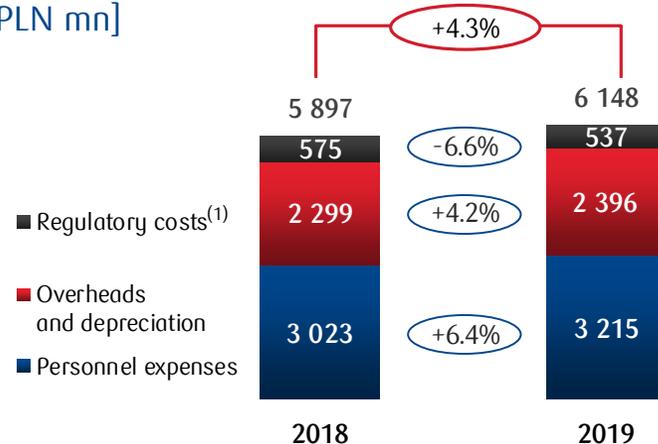
Strong cost discipline



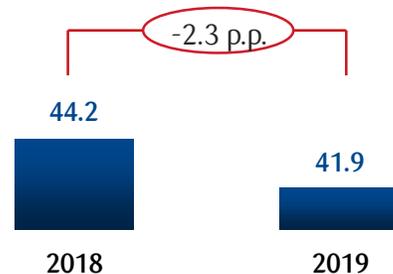
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Operating expenses
[PLN mn]



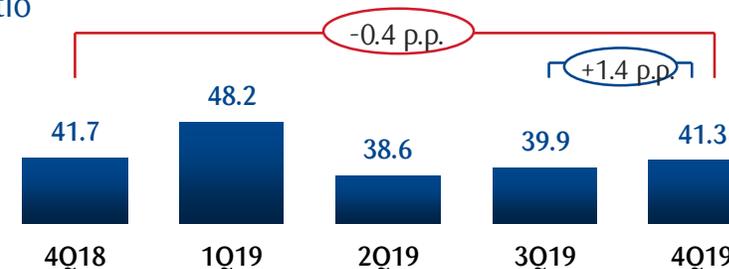
Cost / Income
12M
[%]



Quarterly operating expenses
[PLN mn]



Quarterly C/I ratio
[%]



Significant improvement in efficiency, further drop in the C/I ratio

⁽¹⁾ Regulatory costs include: Banking Guarantee Fund, FSA, levies and administrative charges. Increase in BFG contributions by PLN 82 million y/y (increase in the payment for the restructuring fund by PLN 181 million y/y). Decrease in the costs of withholding tax by PLN 130 million y/y. Fees to Polish FSA rose by PLN 13 million y/y.

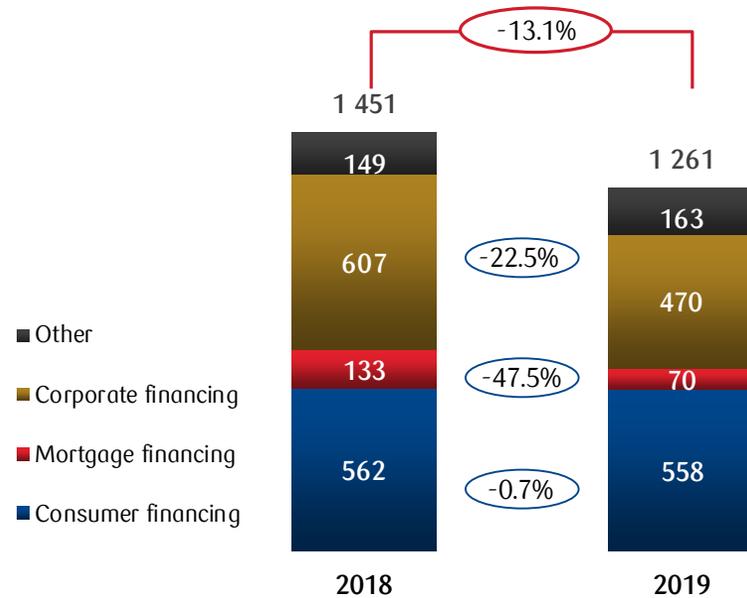
FINANCIAL RESULTS

Cost of risk (0.47%) below the strategically-defined level

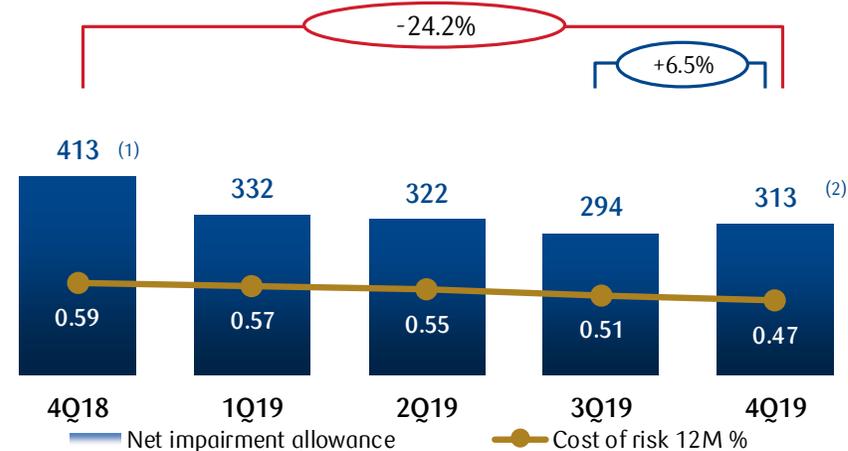


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Net impairment allowance
[PLN mn]



Quarterly net impairment allowance
[PLN mn]



(1) The result on impairment allowance in 4Q18 was affected by write-downs of equity holdings (in the amount of approx. PLN 40-50 million).

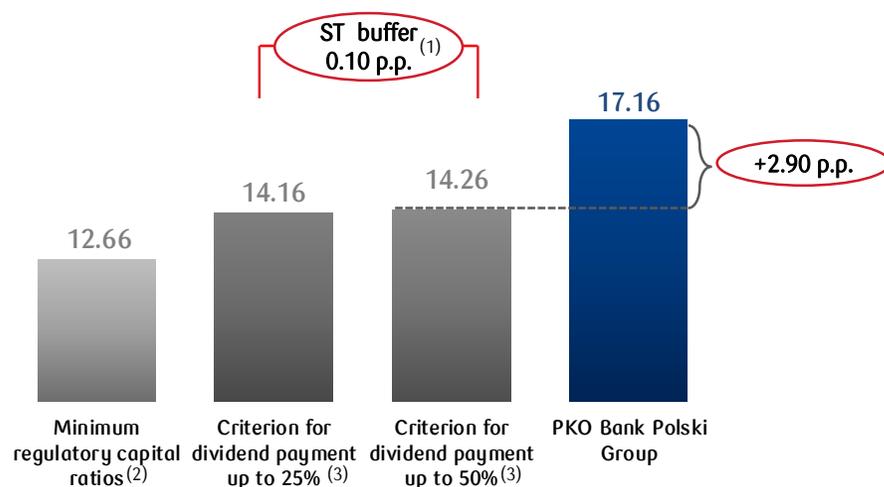
(2) Goodwill write-off on PTE (ca. PLN 51 million) contributed to worsening of the other allowance in 4Q19. The 12M cost of risk would stand at 0.48%, taking into account the portfolio of loans measured at fair value through P&L.

Capital ratios above regulatory requirements

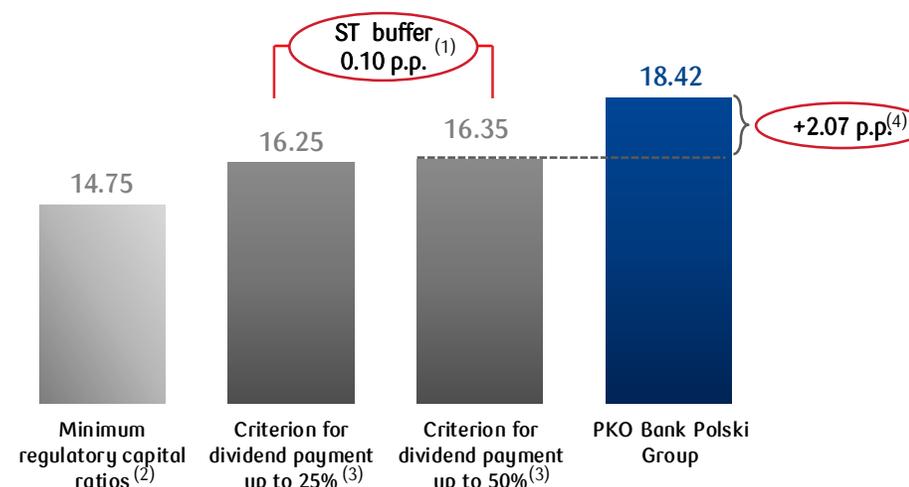


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Capital requirements (T1)
[%]



Total capital ratio (TCR)
[%]



The Management Board is considering paying out undistributed profit from 2018 and half of 2019 profit in dividend

(1) Polish FSA's additional buffer for the Bank's sensitivity to the 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 (4Q19: 13.09 %; -0.96 p.p. q/q; -1.76 p.p. y/y) - adjustment by -20 p.p. (for >10% share),
 K2 - share of the foreign currency mortgage granted in 2007/08 in total portfolio of foreign currency mortgages in PKO Bank Polski (4Q19: 45.53 %; -0.45 p.p. q/q; +0.15 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 PLN 4.4 bn).



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**PKO Bank Polski
into the new
century with a
record profit**

Record net profit for 2019 at PLN 4 billion despite legal risks



The Bank is on the path to achieving the new strategic goals of PKO Banking Platform 2020-22



The Management Board is considering paying out undistributed profit from 2018 and half of 2019 profit in dividend



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Supplementary information, including macroeconomic backdrop

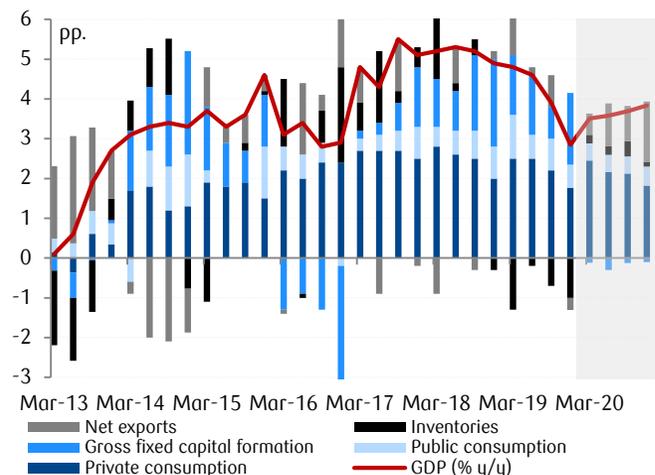
MACROECONOMIC BACKDROP

Moderate economic slowdown

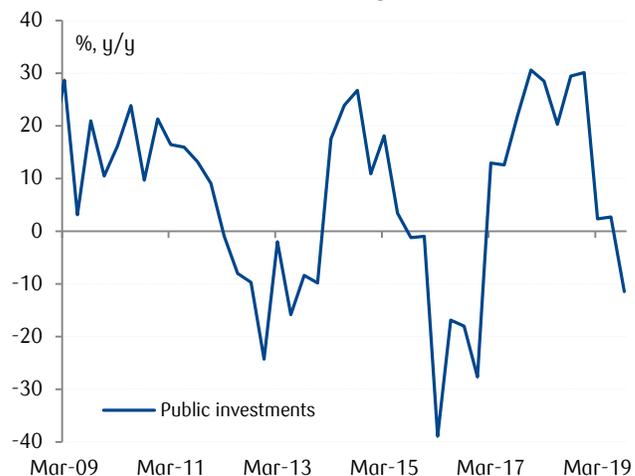


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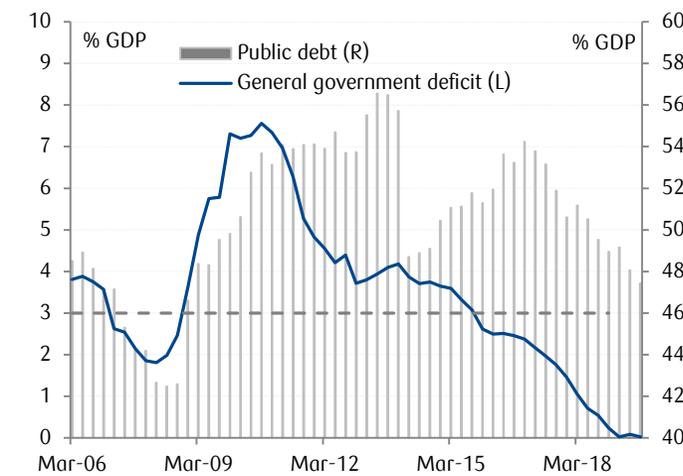
GDP growth to re-accelerate in 2020 following weak year-end of 2019



Public investments become a drag on economic growth



Strong fiscal position means there is room for stimulus if needed



- Poland has been resilient to a global downturn for better part of 2019 but the final quarter of the year saw significant GDP growth slowdown and full-year growth was 4.0% versus 5.1% in 2018. The scale of further slowdown in 2020 will be limited by social transfers and possible strengthening of the overall wage growth (the minimum wage hike) as well as some improvement in external conditions with survey data heralding a recovery in the euro area. Factors supportive for the Polish economy during the global downturn include: 1) no build-up of imbalances during the economic boom, 2) high degree of diversification of the export sector and the whole industry, 3) expansion of the services sector and 4) relative decline in unit labour costs (increased competitiveness) in recent years.
- Apart from external headwinds, declining investment activity in the public sector is also a drag on the Polish economy, as the ongoing EU multi-year financial framework entered its final phase. The lower investment activity of the public sector is accompanied by the reduction of investment plans by the corporate sector, which altogether indicates a moderate decline in total investments in 2020.
- Fiscal position remains strong with fiscal balance in 2019 flirting with zero. In 3q19 alone, the fiscal deficit was a mere 0.02% of GDP (on a 4-quarter rolling basis). Public debt to GDP ratio kept declining (47.4% at the end of 3q19 versus 48.9% at the end of 2018). The improved situation of public finance in recent years creates a buffer for a possible more active fiscal policy in the scenario of a prolonged economic slowdown.

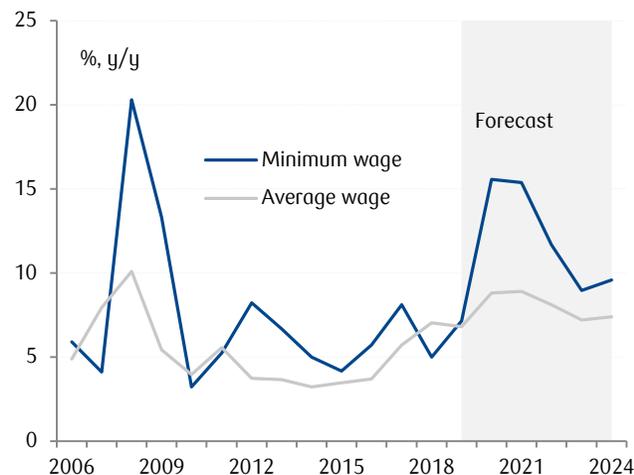
MACROECONOMIC BACKDROP

Inflation up, but not for long



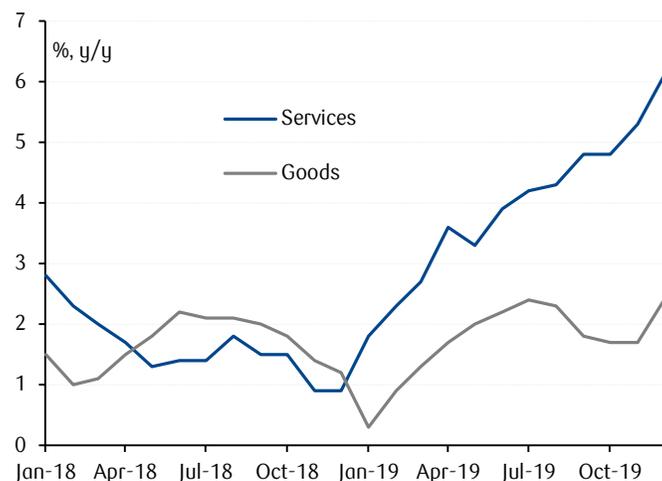
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The underlying wage pressure weakens, but wage growth will rebound on minimum wage hikes



Source: GUS, PKO Bank Polski

Cost-push inflation fuels prices of services



Source: GUS, PKO Bank Polski

Demand-driven inflation at moderate level



Source: Eurostat, PKO Bank Polski. *HICP inflation excluding food, fuel, energy, administered prices, passenger transport, social care and pharmaceuticals.

- **Wage pressure in 2019 was strong but has not mounted further.** Despite some signals of weakening labour demand, wage growth will most likely accelerate in 2020 due to a large rise in the national minimum wage. This means an additional pro-consumption impulse, an intensification of the cost pressure on services' prices (and to a lesser extent on prices of goods) and an increase in the tax base at the same time.
- **The inflationary impact of a tightening labour market increasingly materialized in 2019.** In December, CPI inflation approached the upper limit of the NBP target (2.50% +/- 1%). Higher inflation resulted not only from the core inflation, but also from exogenous factors (food prices in particular). In 2020, regulated prices will become an additional inflationary factor. In 1Q20, CPI inflation may temporarily exceed 4.0% y/y. Later on, GDP growth slowdown and a gradual narrowing of the positive output gap will lead to a decline in CPI inflation towards 3.0% at the end of 2020.
- **Despite rising inflation, the probability of NBP rate hikes remains relatively low.** The Monetary Policy Council is focused on fostering economic growth while most of its members consider an increase in inflation at the turn of 2019/2020 to be temporary. At the same time, arguments related to stability of the financial sector (and the real estate market), as well as medium-term economic growth and inflation prospects make a strong case against rate cuts in the foreseeable future.

MACROECONOMIC BACKDROP

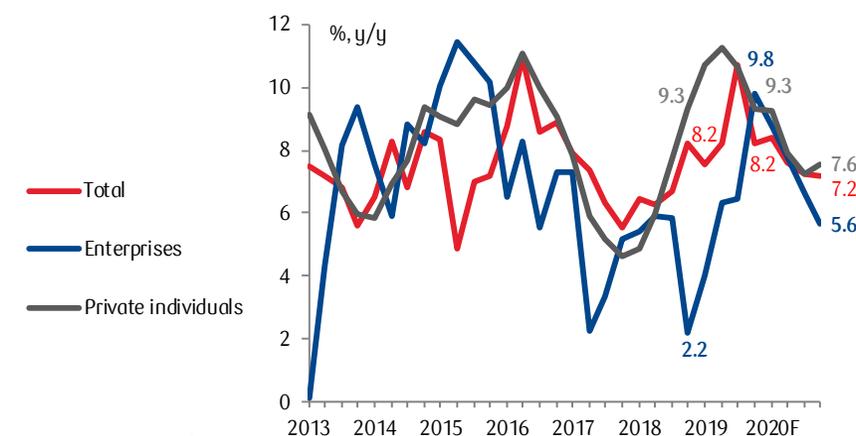
Macroeconomic forecasts



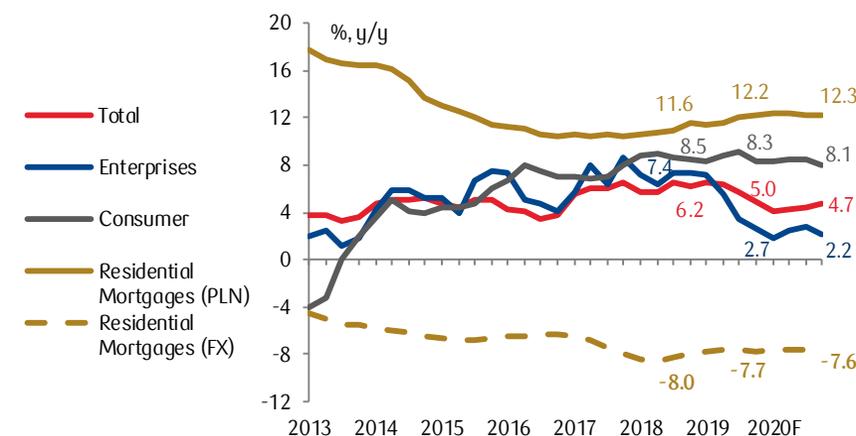
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		2015	2016	2017	2018	2019	2020P
GDP	% y/y	3.8	3.1	4.9	5.1	4.0	3.7
Consumption	% y/y	3.0	3.9	4.5	4.3	3.9	3.7
Investments	% y/y	6.1	-8.2	4.0	8.9	7.8	-0.9
Fiscal deficit ¹⁾	% GDP	-2.7	-2.2	-1.5	-0.2	-0.9	0.0
Public debt ¹⁾	% GDP	51.3	54.2	50.6	48.9	46.9	43.9
CPI inflation	%	-0.9	-0.6	2.0	1.6	2.3	3.5
LFS unemployment rate	%	7.5	6.2	4.9	3.8	3.4	3.2
NBP reference rate	% eop	1.50	1.50	1.50	1.50	1.50	1.50
WIBOR 3M	% eop	1.73	1.73	1.72	1.72	1.71	1.70
EUR/PLN	PLN eop	4.26	4.42	4.17	4.30	4.26	4.35
USD/PLN	PLN eop	3.90	4.18	3.48	3.76	3.80	3.99

Deposits growth (FX adjusted)



Loans growth (FX adjusted)



Source: Statistics Poland, Ministry of Finance, National Bank of Poland, PKO Bank Polski forecasts

1) In ESA2010 terms

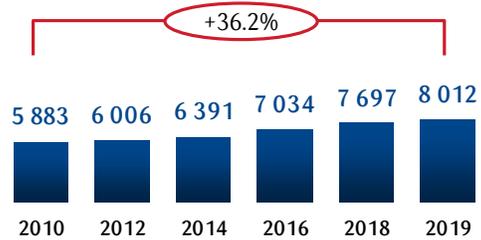
SUPPLEMENTARY INFORMATION

PKO Bank Polski - undisputed leader of the Polish banking sector



Bank Polski

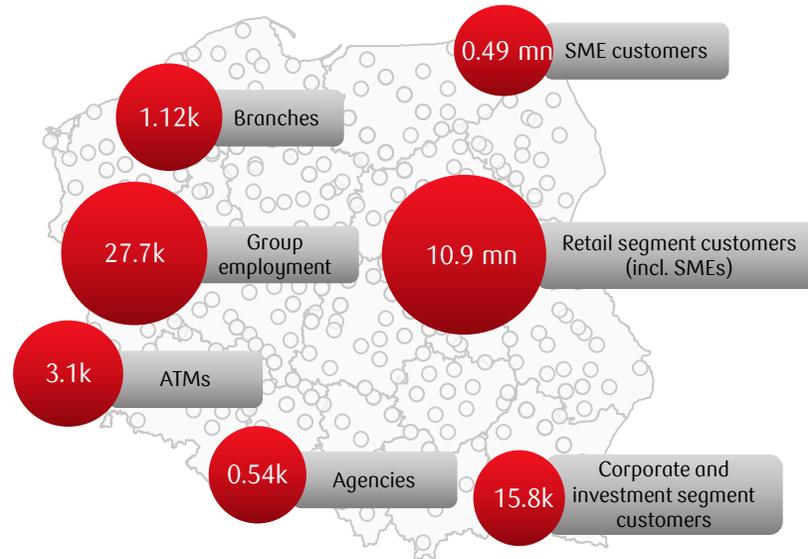
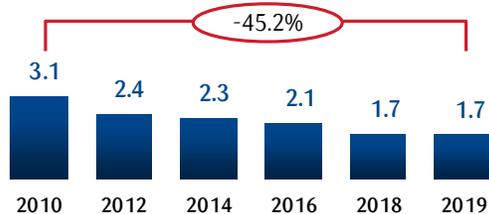
Number of current accounts of individuals [ths]



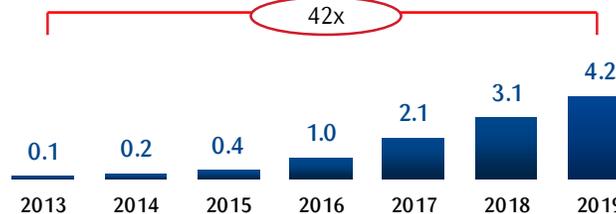
Number of ATMs [ths]



Number of retail agencies and branches [ths]



Mobile apps [mn]



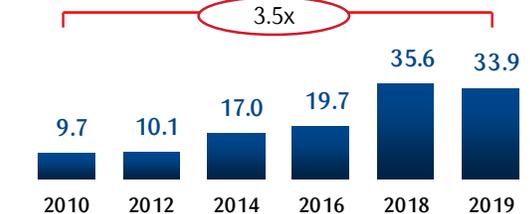
Number of corporate customers with access to e-banking [ths]



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



Investment Funds - AuM [PLN bn]

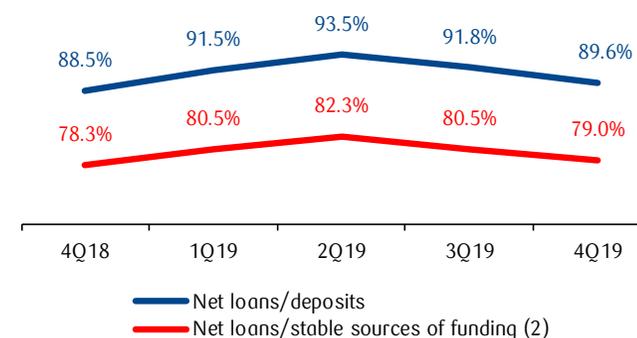
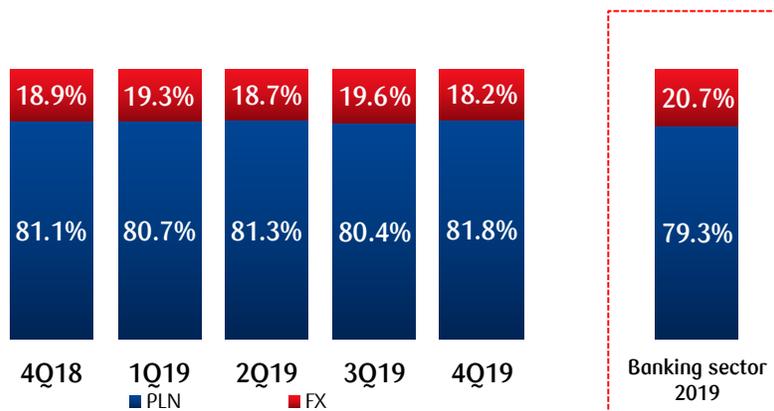


Improvement of the structure of loans and deposits while maintaining high liquidity

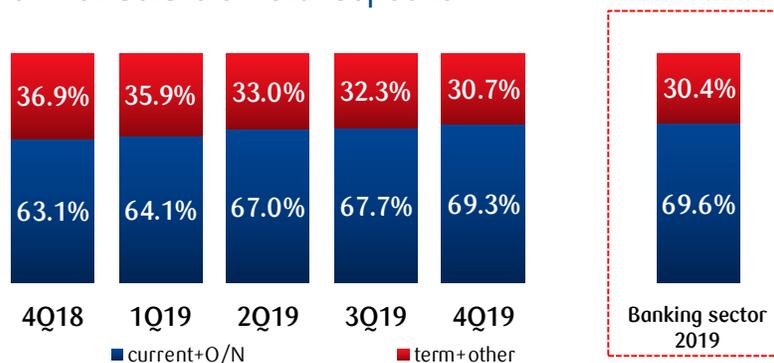


Bank Polski

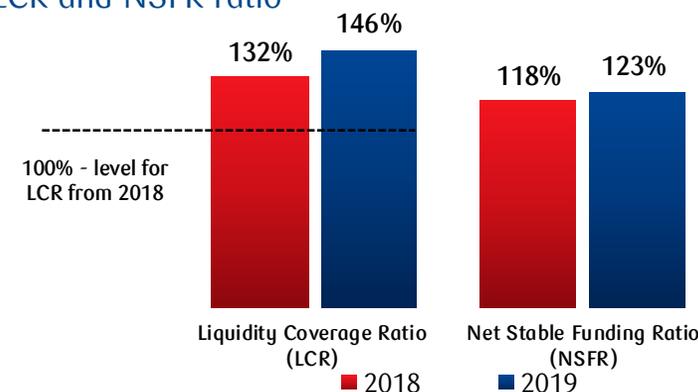
Currency structure of gross loans portfolio



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.

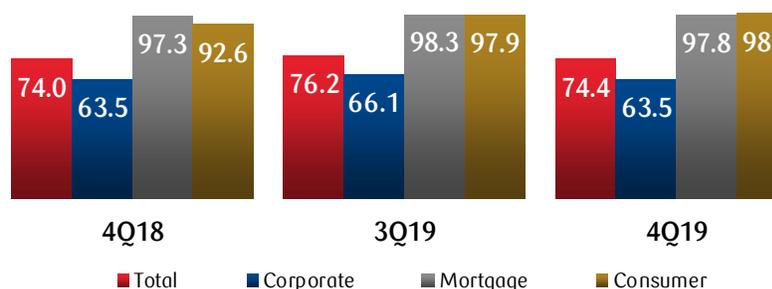
Customer financing portfolio quality – segments



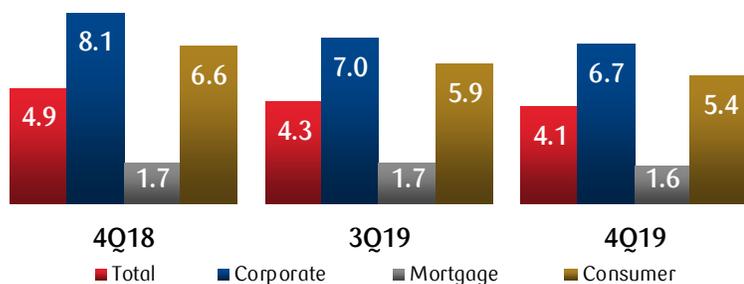
Share of customer financing with recognized impairment [%]



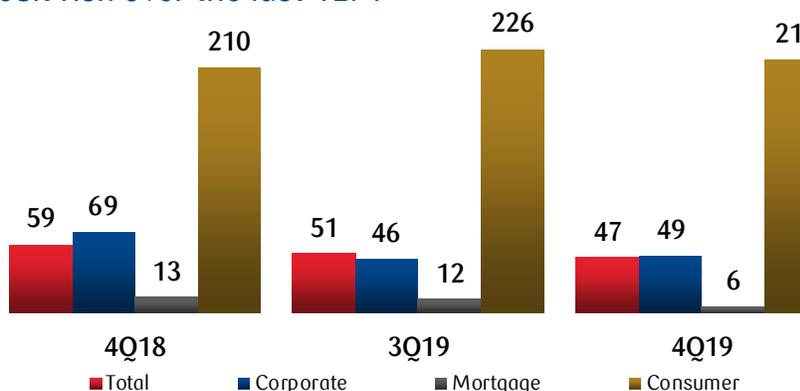
Coverage of customer financing with recognised impairment by impairment allowances [%]



Share of customer financing with recognized impairment [%]



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



(1) Reclassification of approx. 9 billion loans to Not-held-for-trading category (including impaired in the amount of PLN 824 million) reduced the ratio by 0.2 p.p. The above reclassification lowered the coverage ratio by 1.2 p.p.
 (2) NPL ratio improvement by 0.3 p.p. due to the sale of receivables and off-balance sheet exposures.

SUPPLEMENTARY INFORMATION

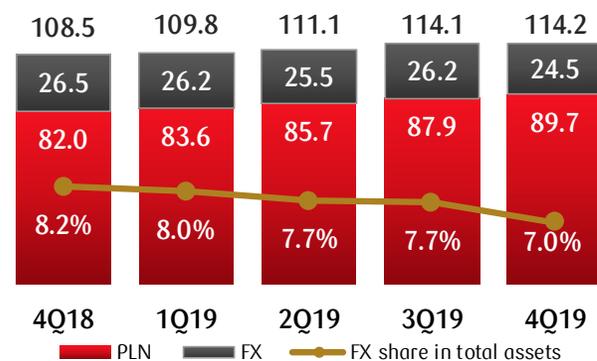
Gross mortgage loans



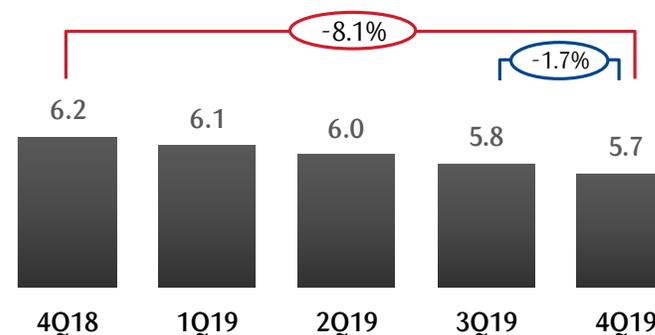
Bank Polski



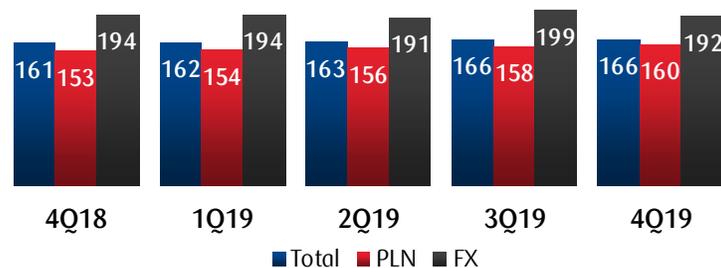
Volume of FX mortgage loans
[PLN bn] ⁽¹⁾



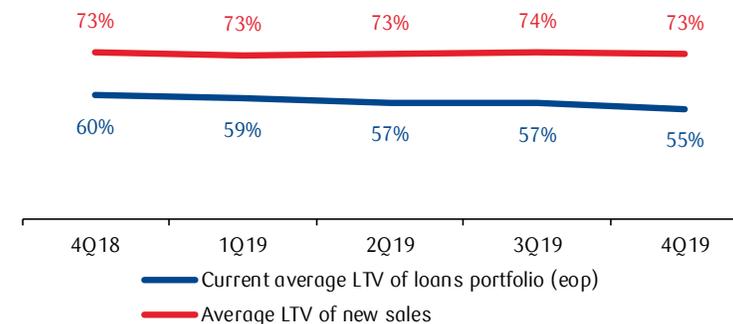
Volume of CHF mortgage loans
[CHF bn] ⁽²⁾



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



Average LTV



⁽¹⁾ Includes data of PKO Bank Polski and PKO Mortgage Bank. The impact of the zloty depreciation on mortgage loans was PLN +1.7 billion y/y and PLN 1.2 billion q/q.

⁽²⁾ The volume of housing loans in EUR: 3Q18 752.2 mn, 4Q18 736.1 mn, 1Q19 719.3 mn, 2Q19 701.6 mn, 3Q19 684.5 mn, 4Q19 665.72 mn.

Impact of legal risk of foreign currency mortgages and an early repayment of retail loans



Legal risk of foreign currency mortgage loans

PLN 451 million of impact in 2019 included:

- provision for potential litigation in the amount of **PLN 29 million** for the already-repaid loans,
- decrease in the gross balance-sheet value of FX mortgage loans by **PLN 281 million** for the existing portfolio, reflecting a change in the estimated future cash flows arising from contracts,
- reduction of the gross balance-sheet value of mortgage loans by **PLN 141 million** due to ongoing court cases. At the end of 2019, **1 645 court proceedings** were pending at a total value of **PLN 392 million**.

Sensitivity analysis of legal risk models of FX mortgage loans

Parameter	Scenario	Impact on legal risk loss
Number of suits	+20%	PLN +62 mn
	-20%	PLN -62 mn
Forecast horizon	+1Y	PLN +115 mn
	-1Y	PLN -106 mn

Early repayment of retail loans

The impact of partial commission returns to customers for an early repayment of active retail loans was **PLN 305 million (3Q19: PLN 69 million, 4Q19: PLN 236 million)** and included:

- reduction of interest income on loans and advances to customers by **PLN 178 million** due to provision for potential refund of fees to customers for early repayment of active consumer and mortgage loans in 4Q19,
- provision for partial refunds of commissions for prepayments during 2011-2019 included in other operating costs in the amount of **PLN 127 million (3Q19: PLN 69 million, 4Q19: PLN 58 million)**.

From 1Q20, the Bank expects a lower quarterly net interest income by approximately **PLN 50-60 million** due to an automatic refund of commissions on prepaid retail loans (compared to 3Q19, pre-ECJ ruling period).

Impact of the spread of coronavirus



Bank Polski



Impact of the spread of coronavirus, announcement of epidemic in the territory of the Republic of Poland and decisions of the monetary policy council and Ministry of Finance on the activities of the PKO Bank Polski Group

The PKO Bank Polski Group maintains operational continuity, also in the area of customer service in the branch network and remote channels. The Group notes the increased use of remote channels by customers. A significant proportion of the Group's employees perform their duties remotely.

- The Group maintains a good liquidity and capital position. The Bank estimates that the activities of the National Bank of Poland in the area of purchasing Treasury bonds, promissory note loan and repo operations will additionally strengthen Group's liquidity position.
- Due to the negative impact of coronavirus on business activity, the Bank expects a reduced customer activity, deterioration in financial standing and lower sales of financial products. The Group alleviates the situation of some clients, including through a suspension offer for 3-6 months for debt service. The Bank expects increased risk costs, the scale of which is currently difficult to estimate reliably.
- The decision of the Monetary Policy Council to lower interest rates and change in the minimum reserve requirement will have a negative impact on the Group's net result at the level of PLN 75 - 100 million quarterly. This impact will materialize gradually in the following quarters. In turn, the decision of the Ministry of Finance to reset the systemic risk buffer results in a 2.9 p.p. reduction of capital requirements at the consolidated level.
- The weakening of the zloty may negatively affect the cost of legal risk of currency housing loans, while the scale of this impact is currently difficult to estimate reliably.

PKO Bank Polski will update the above information in the report for the first quarter of 2020.

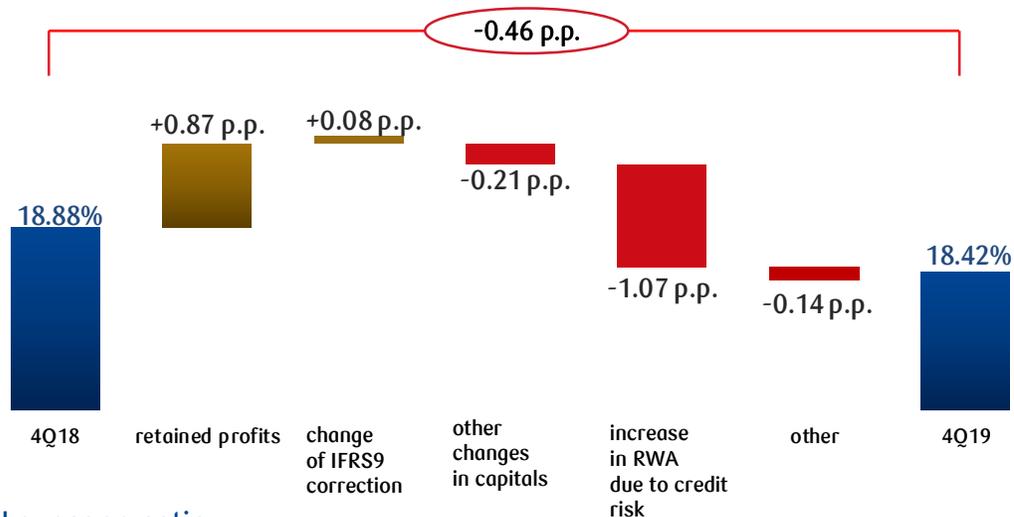
SUPPLEMENTARY INFORMATION

Capital adequacy

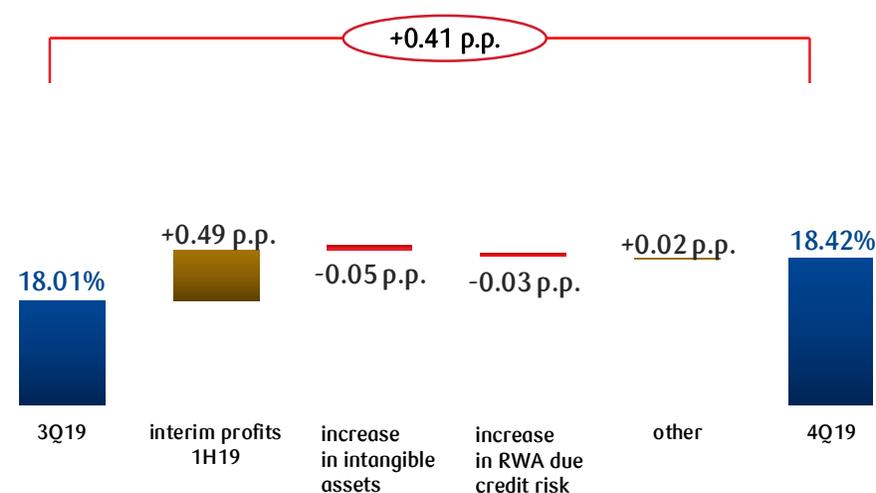


Bank Polski

Consolidated TCR change (r/r)



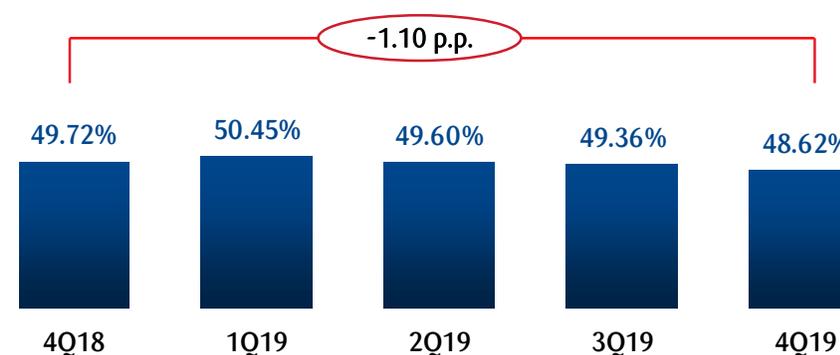
Consolidated TCR change (q/q)



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]

Balance sheet
[PLN bn]

	2019	2018	y/y	4Q19	3Q19	q/q
Net interest income	10 279	9 345	+10.0%	2 624	2 662	-1.4%
Net F&C income	3 047	3 013	+1.1%	771	770	+0.1%
Result on business activity	14 670	13 339	+10.0%	3 752	3 685	+1.8%
Administrative expenses	-6 148	-5 897	+4.3%	-1 551	-1 470	+5.5%
Net impairment allowance	-1 261	-1 451	-13.1%	-313	-294	+6.5%
Cost of credit risk of FX mortgages	-451	-	-	-446	-	-
Bank tax	-1 022	-950	+7.6%	-258	-261	-1.1%
Profit before income tax	5 819	5 078	+14.6%	1 187	1 669	-28.9%
Income tax	-1 787	-1 336	+33.8%	-463	-440	+5.2%
Net profit	4 031	3 741	+7.8%	723	1 229	-41.2%
Assets	348.0	324.3	+7.3%	348.0	341.6	+1.9%
Customer financing	245.3	230.4	+6.5%	245.3	244.6	+0.3%
Amounts due to customers	258.2	242.8	+6.3%	258.2	251.3	+2.8%
Stable financial resources	292.8	274.4	+6.7%	292.8	286.6	+2.2%
Total equity	41.6	39.1	+6.3%	41.6	41.0	+1.3%

SUPPLEMENTARY INFORMATION

Key ratios



Bank Polski



	4Q19	4Q18	y/y	3Q19	q/q	
Key financial ratios [%]	ROE net	10.0	10.0	0.0 p.p.	10.9	-0.9 p.p.
	ROTE net	10.9	11.0	-0.1 p.p.	11.9	-1.0 p.p.
	ROA net	1.2	1.2	0.0 p.p.	1.3	-0.1 p.p.
	C/I	41.9	44.2	-2.3 p.p.	42.0	-0.1 p.p.
	NIM ⁽¹⁾	3.41	3.41	0.00 p.p.	3.45	-0.04 p.p.
Loan portfolio quality [%]	NPL ratio	4.1	4.9	-0.8 p.p.	4.3	-0.2 p.p.
	Coverage ratio	74.4	74.0	+0.4 p.p.	76.2	-1.8 p.p.
	Cost of risk	0.47	0.59	-12 bps	0.51	-4 bps
Capital position [%]	TCR	18.4	18.9	-0.5 p.p.	18.0	+0.4 p.p.
	Tier 1 capital ratio	17.2	17.5	-0.3 p.p.	16.7	+0.5 p.p.

⁽¹⁾ Net interest margin = Net interest income in the last 4 quarters / Average interest-bearing assets in the last 4 quarters (formula consistent with the one applied in the PKO Bank Polski Group Directors' Report).

SUPPLEMENTARY INFORMATION

Key operational data



Bank Polski



PKO Bank Polski operating data (eop)	4Q18	1Q19	2Q19	3Q19	4Q19	y/y	q/q
Current accounts ('000) ⁽¹⁾	7 697	7 779	7 851	7 953	8 012	+4.1%	+0.7%
Banking cards ('000)	8 893	8 994	9 084	9 210	9 283	+4.4%	+0.8%
of which: credit cards	932	942	954	968	981	+5.3%	+1.3%
Active mobile banking applications IKO ('000)	3 120	3 364	3 601	3 952	4 210	+34.9%	+6.5%
Branches:	1 155	1 145	1 132	1 121	1 115	-3.5%	-0.5%
- retail	1 113	1 103	1 090	1 079	1 073	-3.6%	-0.6%
- corporate	42	42	42	42	42	0.0%	0.0%
Agencies	577	557	535	530	538	-6.8%	+1.5%
ATMs	3 133	3 104	3 106	3 089	3 080	-1.7%	-0.3%
Employment eop (FTEs '000) Group	27.9	27.9	28.1	27.8	27.7	-0.5%	-0.5%

- The number of active IKO applications has increased by over 1 million y/y
- Employment lowered by 150 full-time employees y/y, despite the acquisition of the PCM leasing company (250 full-time employees)

⁽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)	4Q18	1Q19	2Q19	3Q19	4Q19	y/y	q/q
Net interest income	2 480	2 455	2 538	2 662	2 624	+5.8%	-1.4%
Net fee and commission income	771	746	760	770	771	0.0%	+0.1%
Other income	215	293	441	253	357	+66.0%	+41.1%
Dividend income	-	-	12	1	1	x	x
Trading income	(15)	77	66	49	128	x	+161.2%
Net foreign exchange gains	144	140	105	115	113	-21.5%	-1.7%
Net other operating income and expense	86	81	258	88	115	+33.7%	+30.7%
Total income items	3 466	3 494	3 739	3 685	3 752	+8.3%	+1.8%
Net impairment allowance and write-offs	(413)	(332)	(322)	(294)	(313)	-24.2%	+6.5%
Cost of credit risk of FX mortgages	-	(5)	-	-	(446)	x	x
Total operating expenses	(1 447)	(1 685)	(1 442)	(1 470)	(1 551)	+7.2%	+5.5%
result on regulatory charges	(96)	(359)	(59)	(59)	(60)	-37.5%	+1.7%
Tax on certain financial institutions	(251)	(248)	(255)	(261)	(258)	+2.8%	-1.1%
Share in net profit (losses) of associates and jointly controlled entities	15	5	9	9	8	-46.7%	-11.1%
Profit before income tax	1 370	1 234	1 729	1 669	1 187	-13.4%	-28.9%
Income tax expense	(362)	(373)	(511)	(440)	(463)	+27.9%	+5.2%
Net profit attributable to non-controlling shareholders	(1)	(1)	1	-	1	x	x
Net profit attributable to the parent company	1 009	862	1 217	1 229	723	-28.3%	-41.2%

SUPPLEMENTARY INFORMATION

Balance sheet of the PKO Bank Polski Group



Bank Polski

Assets (PLN billion)	4Q18	1Q19	2Q19	3Q19	4Q19	y/y	q/q
Cash and balances with the Central Bank	22.9	15.4	12.9	13.3	14.7	-36.0%	+10.8%
Amounts due from other banks	7.7	6.2	3.3	3.9	4.1	-46.6%	+6.0%
Derivative instruments	2.6	2.9	3.2	3.9	3.4	+34.1%	-11.7%
Securities	48.5	54.5	56.1	60.3	65.6	+35.3%	+8.8%
Net customer financing	230.4	232.7	238.0	244.6	245.3	+6.4%	+0.3%
Tangible fixed assets	2.9	3.7	4.5	4.4	4.4	+51.6%	+1.1%
Other assets	9.2	10.4	11.0	11.3	10.5	+13.8%	-7.1%
TOTAL ASSETS	324.3	325.8	329.0	341.6	348.0	+7.3%	+1.9%
Liabilities and equity (PLN billion)	4Q18	1Q19	2Q19	3Q19	4Q19	y/y	q/q
Total equity	39.1	39.7	39.6	41.0	41.6	+6.3%	+1.3%
Amounts due to the central bank and due to banks	2.0	2.8	3.1	2.1	2.9	+43.7%	+36.1%
Derivative financial instruments	3.1	3.4	3.7	4.1	3.5	+12.4%	-13.3%
Amounts due to customers	242.8	239.6	240.4	251.3	258.2	+6.3%	+2.8%
Liabilities of insurance activities	1.3	1.4	1.5	1.6	1.6	+26.9%	+4.7%
Subordinated liabilities and debt securities in issue	31.4	32.5	32.4	35.1	33.9	+8.0%	-3.4%
Other liabilities	4.6	6.5	8.3	6.5	6.4	+39.5%	-1.6%
TOTAL EQUITY AND LIABILITIES	324.3	325.8	329.0	341.6	348.0	+7.3%	+1.9%

SUPPLEMENTARY INFORMATION

Customer financing



Bank Polski

PLN billion	4Q18	1Q19	2Q19	3Q19	4Q19	y/y	q/q
Financing	223.1	226.2	231.2	237.0	237.6	+6.5%	+0.3%
mortgages	108.5	109.8	111.1	114.1	114.2	+5.3%	+0.1%
PLN mortgages	82.0	83.6	85.7	87.9	89.7	+9.5%	+2.1%
FX mortgages	26.5	26.2	25.5	26.2	24.5	-7.7%	-6.6%
consumer loans	28.2	28.7	29.9	30.5	31.1	+10.2%	+1.9%
SME	31.1	32.0	33.4	33.6	33.2	+6.7%	-1.2%
corporate	55.2	55.8	56.7	58.7	59.0	+6.9%	+0.5%
Debt securities	15.6	14.9	15.1	15.4	14.9	-4.3%	-2.9%
municipal bonds	9.4	9.4	10.0	9.9	9.8	+4.9%	-0.5%
corporate bonds	6.3	5.6	5.1	5.5	5.1	-18.0%	-7.1%
Gross customer financing	238.7	241.2	246.3	252.3	252.5	+5.8%	+0.1%
Net allowances for expected losses	-8.2	-8.5	-8.3	-7.8	-7.2	-12.0%	-6.9%
Net customer financing	230.4	232.6	238.0	244.6	245.3	+6.4%	+0.3%

SUPPLEMENTARY INFORMATION

Customer savings



Bank Polski

PLN billion	4Q18	1Q19	2Q19	3Q19	4Q19	y/y	q/q
Retail and private banking	207.7	214.4	218.2	224.4	232.8	+12.1%	+3.7%
deposits	155.1	161.0	164.0	168.2	174.1	+12.3%	+3.5%
retail mutual funds	33.5	33.2	32.7	32.2	32.1	-4.0%	-0.1%
saving treasury bonds	19.1	20.1	21.5	24.0	26.6	+39.0%	+10.7%
Corporate	55.1	48.5	45.9	50.6	49.9	-9.3%	-1.4%
SME	26.8	25.7	26.4	28.4	30.5	+13.7%	+7.1%
Customer savings	289.5	288.6	290.5	303.5	313.2	+8.2%	+3.2%

SUPPLEMENTARY INFORMATION

Shares and rating

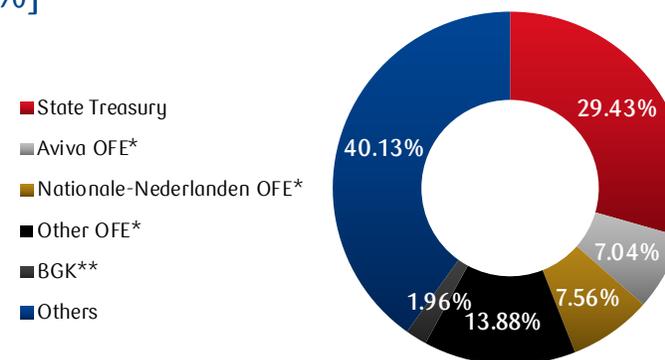


Bank Polski

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

Shareholders 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↑

Disclaimer



Bank Polski



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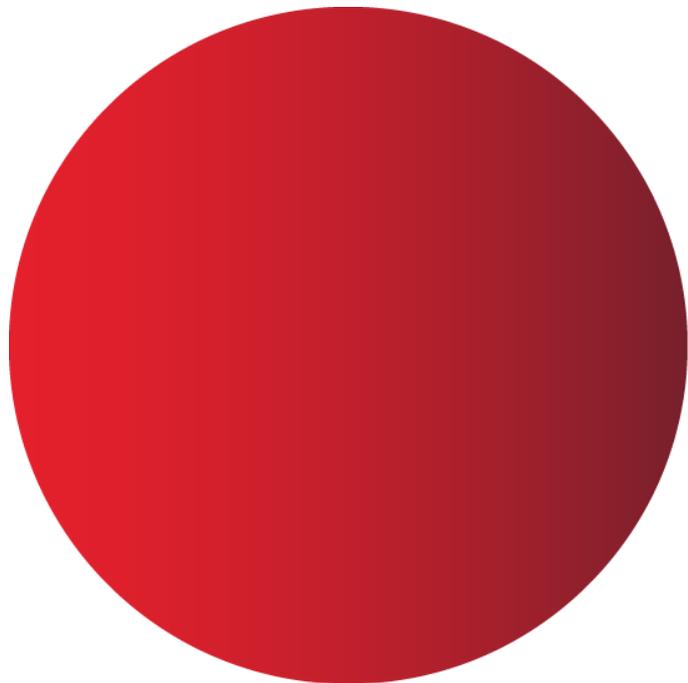
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Any differences in total balances, percentages and growth rates result from rounding the amounts to PLN million and rounding percentages to one decimal place.



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Investor's calendar

6 May 2020	Publication of the Quarterly 1Q 2020 Report
5 August 2020	Publication of the 1H 2020 Report
4 November 2020	Publication of the Quarterly 3Q 2020 Report