



Bank Polski

Dear Sirs and/ or Madams,

I have a pleasure to present to you the annual report of the PKO Bank Polski Group. Traditionally we have reported good results, and we are continuing this tradition by reporting the results of our 2019 activities. This was a very intense, and at the same time fruitful year in the Bank's development. In effect, the scale of our organization operations increased significantly, the financial results were excellent and the effectiveness ratios improved. We have achieved our financial strategy goals two years in advance. The strategy has been updated with new ambitious financial goals and provides for continuation of digital transformation. Therefore, PKO Bank Polski is entering the second century of its operation in excellent condition and is prepared to take on new, bold challenges to continue supporting the development of Poland and the Poles in the coming decades, changing into a banking platform.

In 2019, we made full use of the very good economic situation in Poland, namely the rate of GDP growth exceeding 4 percent, increasing income of the population and good conditions on the labour market. By perfecting the internal processes and offer, as well as focusing on the needs of its clients, our group increased the balance sheet sum up to PLN 348 billion, generating PLN 4.03 billion of consolidated net profit, which is 7.8 percent higher than a year before.

As a result of consistent cost discipline, the cost to income ratio was reduced to the level of 41.9 percent. Simultaneously, the quality of the credit portfolio grew, whereas cost of risk dropped down to the level of 0.47 percent. Efficiency measured with return on equity remained high at 10 percent and capital indices and other criteria specified by the financial supervision authority were on a level allowing for disbursement of dividend up to 50 percent from the profit for the previous year. In 2019, the company's excellent financial condition allowed dividend of PLN 1.66 billion to be paid out from the profit earned in 2018. Part of the 2018 profit of PLN 1.67 billion remained undivided, and is therefore available for disbursement in 2020. The Management Board of PKO Bank Polski will consider recommending to the General Shareholders' Meeting paying out part of that profit together with one-half of the profit for 2019.

PKO Bank Polski is entering the second century of its operation as an undisputed sector leader, and at the same time, the most valuable company on the Warsaw Stock Exchange. In 2019 PKO Bank Polski was also the leader in terms of trades on its shares generated on the WSE and is the only Polish company included in the group of large companies of the developed market index by the global agency FTSE Russell. The actions taken by the bank are not only reflected in its market position, but are also appreciated by international experts. In 2019 for the fifth time PKO Bank Polski was awarded the "Bank of the Year in Poland" title by the British monthly *The Banker*, a member of the *Financial Times Group*. This is undoubtedly a token of appreciation of the bank's position on the market, its successes to-date and its strategic potential for further development.

In its operations the bank applies the principle of sustainable development and pays increasing attention to the manner of using natural resources. In response to climate change, we began analysing the bank's impact on the natural environment and we introduced climate factors as one of the criteria to be considered in sector policies, including with respect to high-emission industries. We also assessed the amount of greenhouse gases resulting from the bank's operating activities, we started mapping the product portfolio and launched an ESG project under which work on social, environmental and corporate governance challenges will be coordinated. Our actions to-date are reflected in an improvement in the bank's ESG ratings.

In the coming years, the development of the PKO Bank Polski Group will be determined by the extent to which we are able to use the potential of digital transformation. This global trend is our greatest inspiration, and its skilful adoption will bring successes such as those achieved by IKO – our flagship mobile app. In 2019 it was rated as the best in the world for the second time in a row according to customer opinions in the ranking of the British monthly *Retail Banker International*. IKO earned the largest number of positive opinions from among 100 banks globally included in the ranking. Our intention in developing our mobile banking is to make it as simple and as intuitive as possible in use, and this is what gains the customers' highest appreciation. Currently, IKO boasts more than 4.2 million active applications and a rapid increase in the number of transactions made via smartphones, makes the bank the leader of mobile banking in Poland.

Today, the use of modern technologies and innovative solutions is the key to success in almost every field of life. Therefore, we are not stopping in our efforts to ensure that developments in this area contribute to building even more long-lasting relations with our customers, and as a result, to creating added value for our shareholders and for the whole Polish economy. Our paperless policy in banking processes is an excellent example of such actions. In 2019 our banking advisors in selected branches throughout Poland were equipped with touch screens which allow signing up for the most popular transaction services without the need to use paper. We have also decided to participate in a joint three-bank investment in Autenti, a company that created a platform for digital signature and digital workflow of documents. The solution offered by the company will be used in the bank's day-to-day business, where it will enhance the already efficient work flow of electronic documents in synergy with the other tools at our disposal.

The strong position achieved by PKO Bank Polski during its 100 years of operations, and its technological potential give us a natural mandate to take up the challenges which extend outside the borders of the world of finance. The establishment of Polish Domestic Cloud Provider, a technological company that offers services related to maintaining and remote processing of data, digital transformation and cybersecurity to Polish businesses and public administration, was one of such projects. In 2019 Polish Domestic Cloud Provider began operating, and during the first few months it engaged in its first strategic partnership – with Google. This project will enable significant acceleration of the digitization of the Polish economy, and at the same time will guarantee that data is processed and safeguarded in Poland.

PKO Bank Polski has proudly commenced the second century of its operation, and the sense of responsibility we feel each day for the further development of our organization motivates us to make further bold decisions. We remain faithful to our mission and are constantly fuelling our appetite for further successes which will benefit not only our shareholders, customers, employees, but also the entire Polish economy.



Zbigniew Jagiełło

President of the Management Board of PKO Bank Polski.