



Bank Polski

FINANCIAL RESULTS 2022

Solid results, significant burden of extraordinary events



Warsaw, 10th of March, 2023



Bank Polski

Key achievements

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KEY ACHIEVEMENTS

Key financial highlights 2022



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KEY FINANCIAL HIGHLIGHTS

Solid net profit of PLN 3.3 bn, as a result of revenues increase and significant extraordinary events

Increase of NIM to 3.90% thanks to growth of interest rates from the level of ~0%

Effective management of operating costs and COR

NET PROFIT

PLN 3.3 bn

ROE

9.7%

CORE REVENUES

17.6% y/y

NIM

3.90%⁽¹⁾

COST/INCOME

45.3%

COR

53 bps

(1) - the interest margin in 2022 was calculated excluding the impact of the recognition in the third quarter of 2022 of the effects of credit holidays of PLN 3 111 mln

KEY ACHIEVEMENTS

Key financial highlights 2022



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KEY FINANCIAL HIGHLIGHTS

Increased scale of activity allowing for the consolidation of the leading market position

Solid capital base with significant surplus over regulatory requirements

Record low NPL level

Total assets

PLN 431 bn

Number of customers

11.7 mln

CET1=T1

16.65%

NPL

3.80%

KEY ACHIEVEMENTS

Business development - key achievements



FINANCING OUR CUSTOMERS

- PLN 246 bn financing provided to customers⁽¹⁾, increase by 1.8% y/y
- Solid growth of financing in corporate sector +13.5% y/y
- Market share of the mortgage loan sales increased to 21.0%



SAVINGS

- Savings growth by 8.6% y/y to PLN 453 bn
- Market share of retail investment funds increased to 20.6%



CUSTOMERS

- Customers number increased to 11.7 mln, + 0,5 mln y/y
- New deposit offer
- Growing number of digital customers:
Increase number of transactions in IKO by +38% y/y
7.2 mln active IKO app. +17% y/y



SOCIAL RESPONSIBILITY

- ESG as one of the pillars of bank's strategy
- Financing green products
- Support to Ukrainian refugees: dedicated financial products, humanitarian support

PRIZES AND AWARDS



BANK OF THE YEAR
2022 IN POLAND



CASHLESS PAY 2022



BRAND OF BRANDS
OF THE 15TH
ANNIVERSARY



ENVIRONMENTALLY
RESPONSIBLE
COMPANY 2022



INNOVATION
LEADER ACCORDING
TO IT COMPANIES



BROKER OF
THE YEAR



POLISH CONTACT
CENTER AWARDS

(1) - excluding FX mortgage loans



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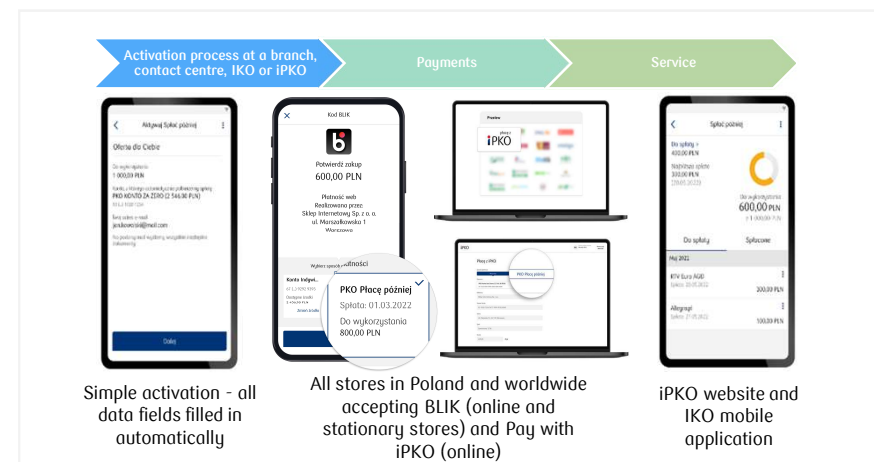
KEY ACHIEVEMENTS

Leader in mobile banking

MOBILE APPLICATION IKO



PKO PAY LATER- BNPL FIRST BANKING SERVICE IN POLAND



DIGITAL MORTGAGE (IN PREPARATION)

- Redefinition of the credit process to take full advantage of the opportunities created by digital solutions
- Fully digital process (except contract signing)
- The solution can also be used in other credit processes



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KEY ACHIEVEMENTS

Increased use of AI in customers service and sales



We have already 16 bots

Launching of new bots in 4 quarter:

- for IKO activation
- for confirm the activation of the "PKO pay later" service
- for post-service NPS survey

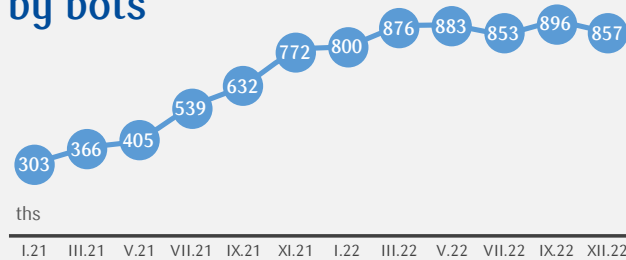


Growing number of tasks carried out by AI

- Contact centre >9 mln calls
- Reminder of late payments >2.5 mln calls
- Voice assistant in IKO >2.5 mln calls
- Sales lead management >1.5 mln calls
- NPS related >1 mln questionnaires



Calls with customers completed by bots



New processes implemented by AI:

- advanced analytics of expenses in the Voice assistant in IKO (card transactions divided into categories)
- improvements and changes in several dozen of topics supported by various bots

>18 mln number of calls made via all voicebots

~115 of FTEs released thanks to utilization of AI



Robotic Process Automation

>176 mln tasks completed by robots

230 processes run by bots



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Financial results

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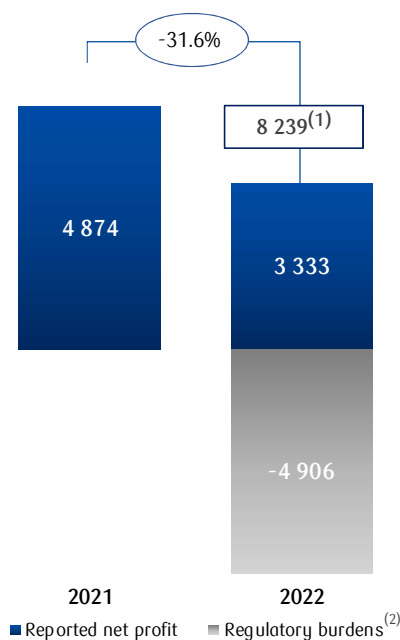
FINANCIAL RESULTS

Net profit

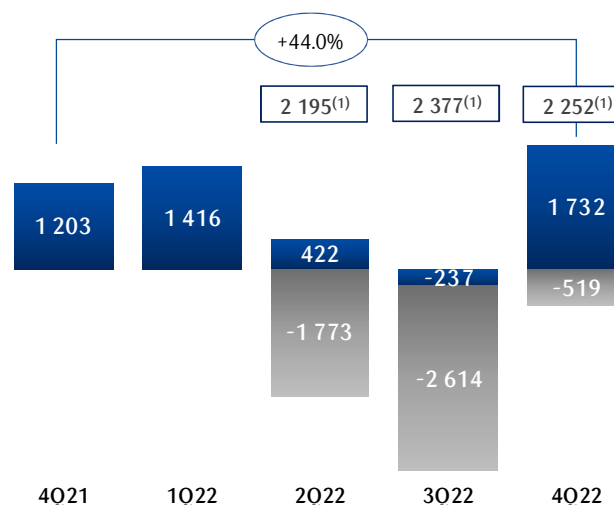


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Net profit [PLN mln]



Quarterly net profit [PLN mln]



- PLN 3 333 mln reported net profit for 2022 +69.0% excluding extraordinary items⁽²⁾
- Reported net profit in Q4 at PLN 1 732 mln, (PLN 2 252 mln, +87.2% y/y excluding extraordinary items)
- Reported ROE at 9.7%, ROE adjusted for extraordinary items at 22.6%

(1) – Net profit excl. extraordinary items (2) – Extraordinary items (gross) including costs credit holidays (+3 111 mln), costs of legal risk related to CHF-denominated and indexed mortgage loans (+1 914 mln), Protection System Fund (+956 mln), Borrowers' Support Fund (+314 mln), provision recognized for the reimbursement of increased margin until the mortgage is established (+46 mln), BGF (-348 mln), extraordinary event tax (-1 086 mln)

FINANCIAL RESULTS

Significant events affecting the Group results in 2022



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Regulatory burdens

Impact on financial results in FY2022

CREDIT HOLIDAYS	PLN 3 111 mln	<ul style="list-style-type: none"> - 63% - assumed participation - 286 ths customers applied for a suspension of their mortgage as of 31/12/2022 - 1 831 ths suspended instalments, representing 42% of the max. number of instalments to be suspended for all eligible customers
LEGAL RISK RELATED TO CHF MORTGAGE LOANS	PLN 1 914 mln (PLN 738 mln in Q4 2022)	<ul style="list-style-type: none"> - The decision is dictated by a significant change in the market environment, affecting the estimated number of lawsuits and the estimated number of settlements
PROTECTION SYSTEM FUND (IPS)	PLN 956 mln	<ul style="list-style-type: none"> - The fund was created from the contributions of 8 Participant Banks amounting to 0.4% of their guaranteed deposits
BORROWERS' SUPPORT FUND	PLN 314 mln (PLN 14 mln in Q4 2022)	<ul style="list-style-type: none"> - Contribution to the fund supporting borrowers (mortgage loans) in a difficult life situation
PROVISION RECOGNIZED FOR REIMBURSEMENT OF INCREASED MARGIN⁽¹⁾	PLN 46 mln (PLN -2 mln in Q4 2022)	<ul style="list-style-type: none"> - The result of the amendment to the mortgage loan act forcing the resignation from increasing the loan margin during the period until the mortgage is registered by the court

(1) - provision recognized for the reimbursement of increased margins until the mortgage is established

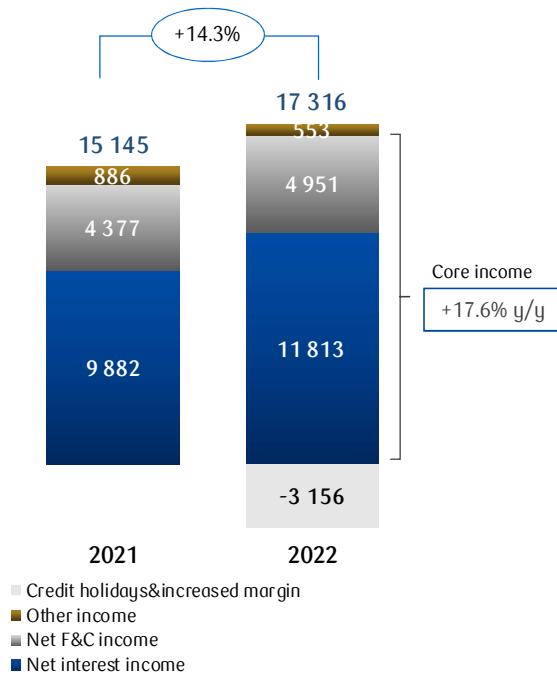


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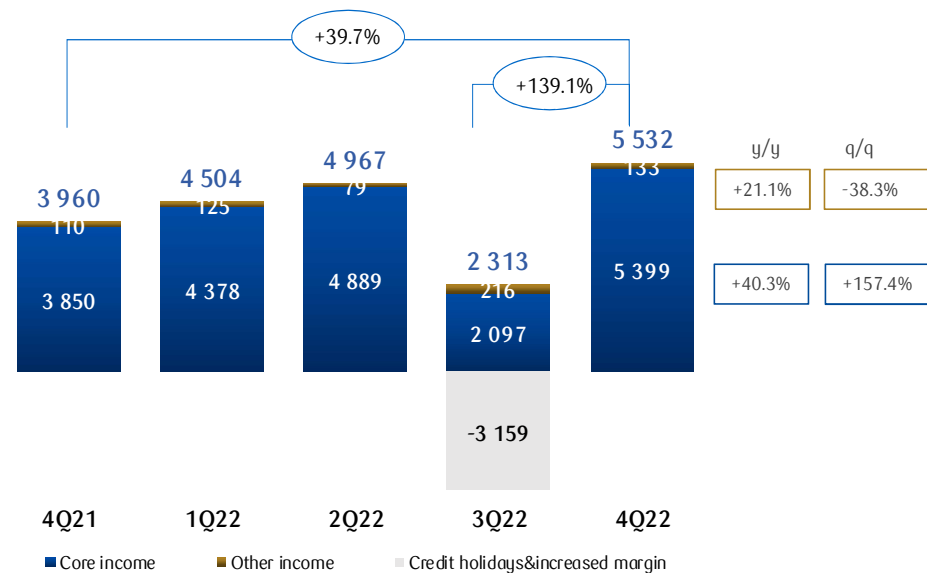
FINANCIAL RESULTS

Income growth driven by strong increase of core income despite credit holidays impact

Result on business activity [PLN mln]



Quarterly result on business activity [PLN mln]



Results on banking activity for FY2022 +14.3% y/y thanks to high growth both of NII and F&C and significantly impacted by credit holiday burdens (-3 111 mln) and provisions recognized for the reimbursement of margins increased until the mortgage is registered (-46 mln)

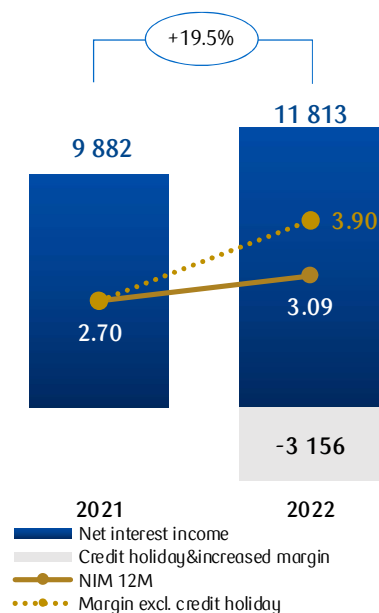


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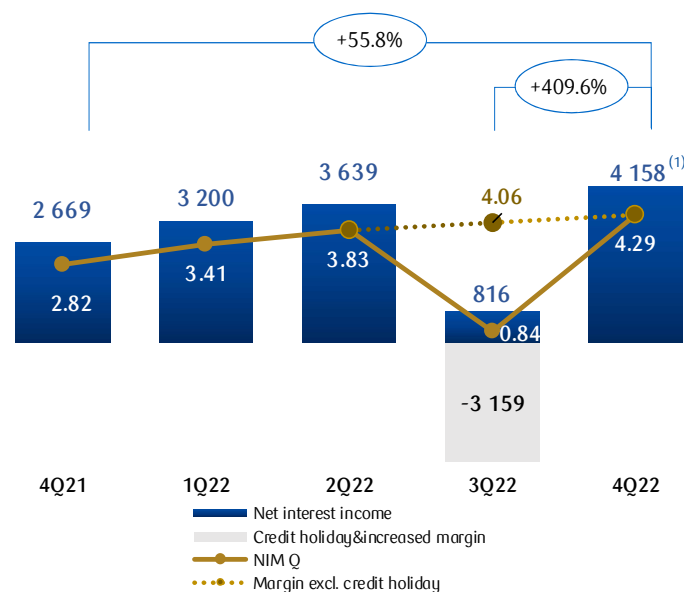
FINANCIAL RESULTS

Net interest income

Net interest income [PLN mln] & NIM [%]



Quarterly Net interest income [PLN mln]
Quarterly NIM [%]



- Interest income driven by the process of interest rates normalisation and strong impact of extraordinary events - credit holidays burdens (-3 111 mln) and provision for the reimbursement of increased margins until the mortgage is registered (-46 mln)
- Reported NIM including the effect of credit holidays at the level of 3.09%

(1) - incl. PLN 2 mln due to partial reversal of provision for the reimbursement of increased margins until the mortgage is registered

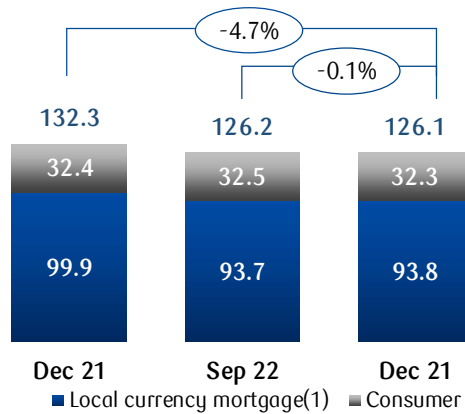


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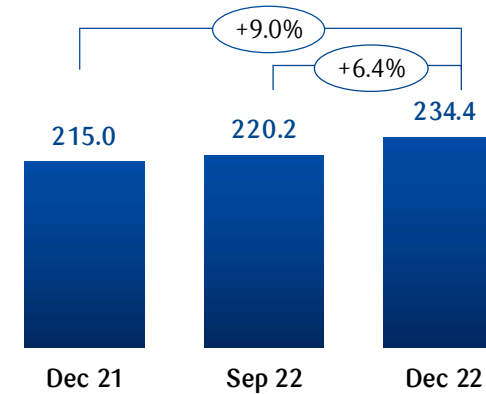
FINANCIAL RESULTS

Retail banking: solid growth of deposits, number of accounts and IKO, visible improvement in Q4

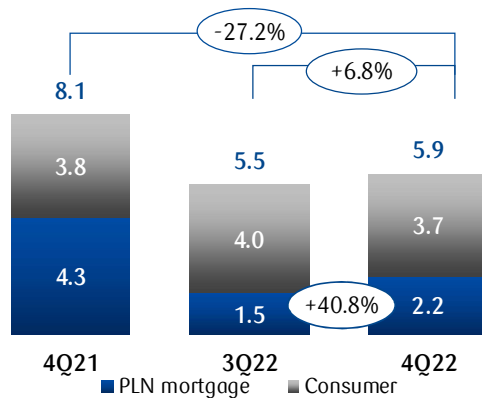
Loans volume outstanding [PLN bn]



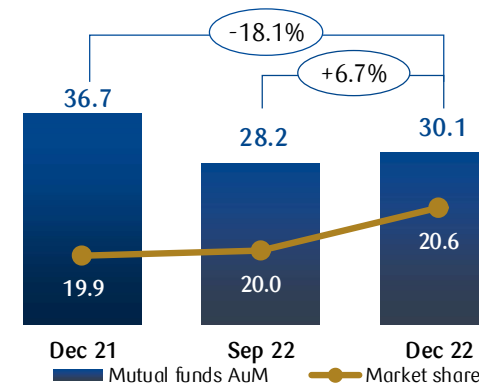
Deposits⁽²⁾ [PLN bn]



New loan sales [PLN bn]



Mutual funds' AuM [PLN bn]⁽³⁾
Market share [%]



(1) - The position incl. UAH loans., (2) - Retail deposits, (3) - Retail funds

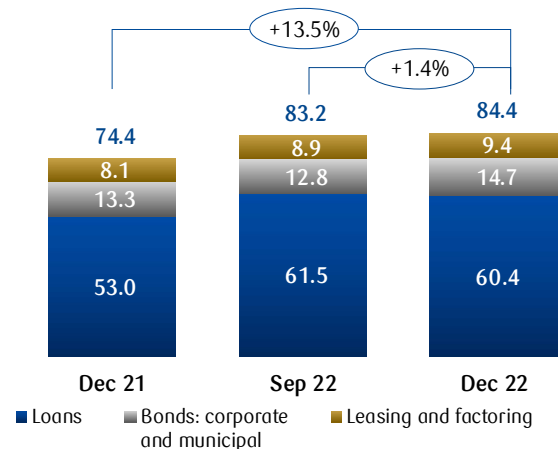


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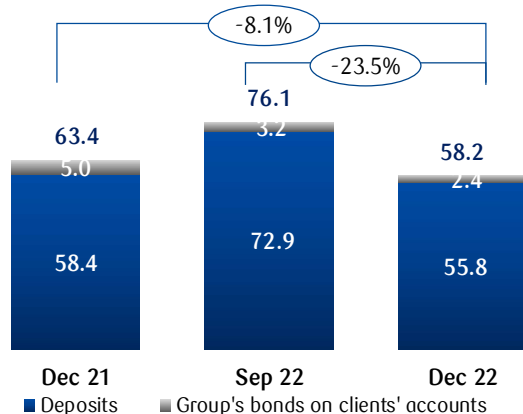
FINANCIAL RESULTS

Corporate and investment banking – double digit volume growth y/y

Corporate clients financing [PLN bn]



Corporate clients savings [PLN bn]



FINANCING ESG

Corporate bonds issue worth PLN 2.67 bn
PKO was a co-organiser of the issue and co-founder of the order book. The funds obtained as part of the issue will support the objective of installing 1,000 MW of clean energy production capacity

FINANCING ESG

An annex to the syndicated loan granted to a company in the media and technology area. ESG clauses and indicators were introduced to the agreement. Funding volume close to PLN 1 bn

PUBLIC ENTITIES

Agreements for comprehensive banking services for the budgets of the Lubelskie, Pomorskie, Kujawsko-Pomorskie provinces and their organizational units

PUBLIC ENTITIES

160 municipal bond issue agreements totalling more than PLN 2.9 bn

PUBLIC ENTITIES

An agreement to open and maintain consolidated accounts for the Social Insurance Fund, the Bridging Pension Fund and the Social Insurance Institution, as well as to process bulk payments

CORPORATE CUSTOMERS

4 corporate bond issue agreements with a total value of nearly PLN 9.7 bn, under which the Bank's share totalled nearly PLN 1.7 bn

CORPORATE CUSTOMERS

27 syndicated loan agreements totalling more than PLN 10.1 billion and more than EUR 3.2 billion, under which the Bank's share totalled more than PLN 3.0 billion and more than EUR 0.4 bn

CORPORATE CUSTOMERS

3 bank guarantee agreements totalling more than PLN 0.6 bn under which the Bank's share totalled more than PLN 0.3 bn

- Strong increase of corporate clients' financing +13.5% y/y
- Active management of corporate clients' savings portfolio price/volume trade off

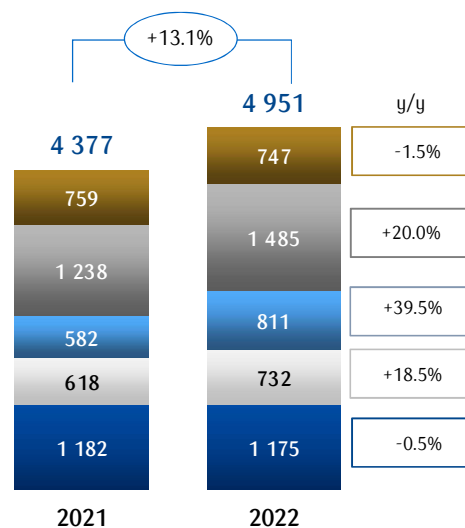


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FINANCIAL RESULTS

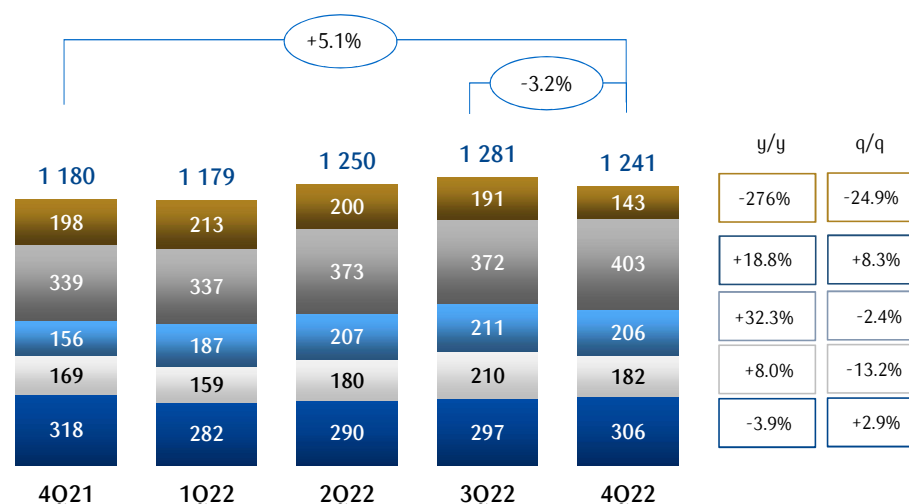
Strong growth of fees and commissions

Fees and commissions income [PLN mln]



- Mutual funds & brokerage
- Loans, insurance and operational leasing
- Currency exchange
- Cards and digital payments
- Customer accounts & other

Quarterly fees and commissions income [PLN mln]



- Increase of fees and commission in 2022 by 13.1% y/y mainly thanks to income from banking activity
- The Q4 impacted by the difficult capital market

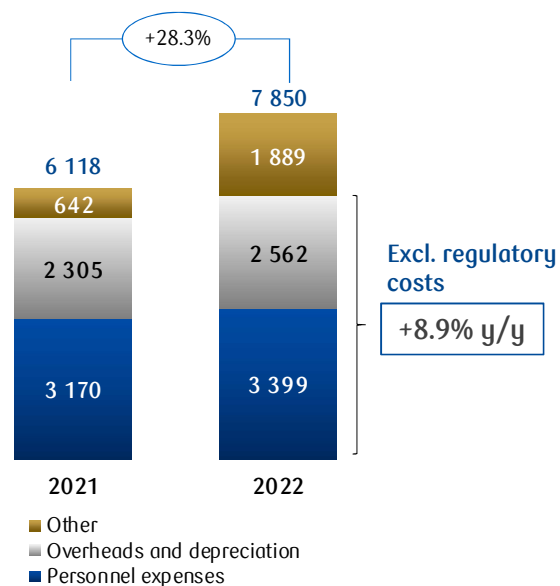
FINANCIAL RESULTS

Operating costs excluding regulatory ones under control, +8.9% y/y

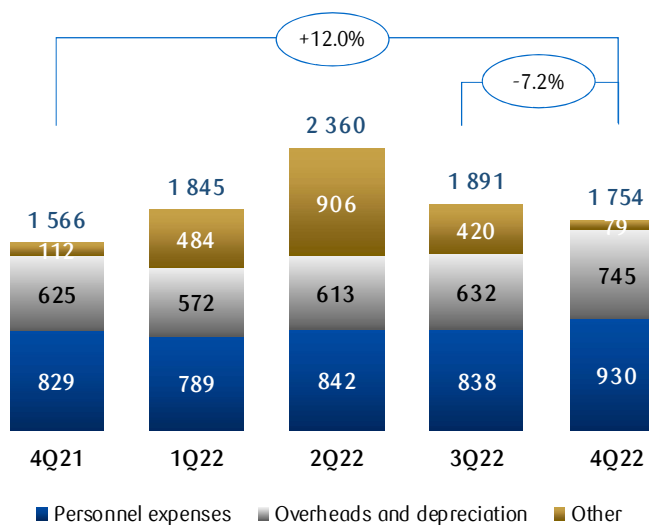


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Operating expenses [PLN mln]



Quarterly operating expenses [PLN mln]



Increase of operating costs by +8.9% y/y in 2022 - excluding regulatory expenses, definitely below inflation

Decrease of reported costs by 7.2% q/q in Q4 thanks to decrease of regulatory burdens

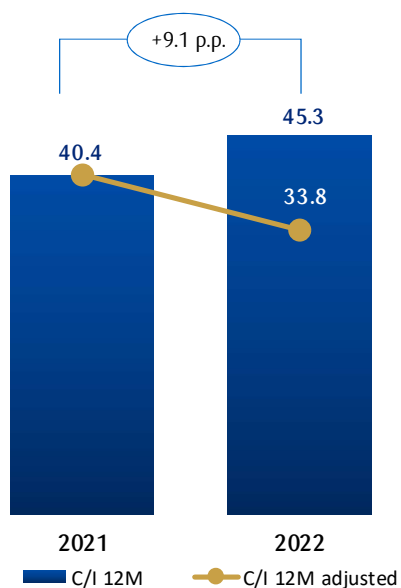


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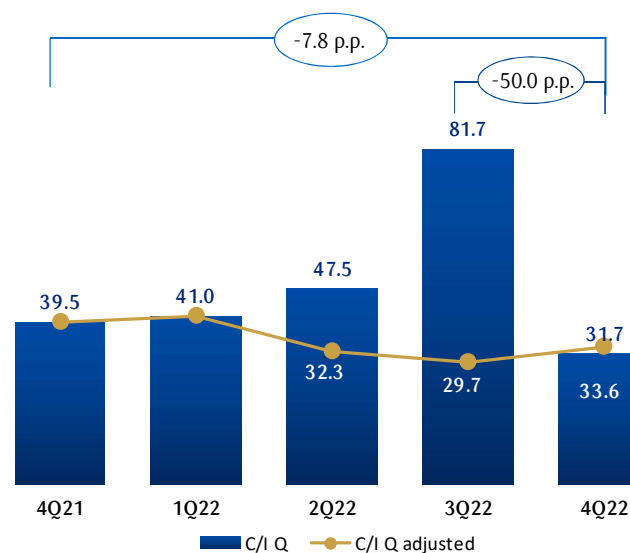
FINANCIAL RESULTS

High level of cost efficiency

Cost/Income ratio [%]



Quarterly Cost/Income ratio [%]



C/I ratio, including regulatory costs, reached level of 45.3% in 2022, while adjusted by extraordinary items, at the level of 33.8%

Cost/Income ratio adjusted by extraordinary items including costs credit holidays (+3 111 mln), Protection System Fund (+956 mln), Borrowers' Support Fund (+314 mln), provision recognized for the reimbursement of increased margin until the mortgage is established (+46 mln), BGF (-348 mln)

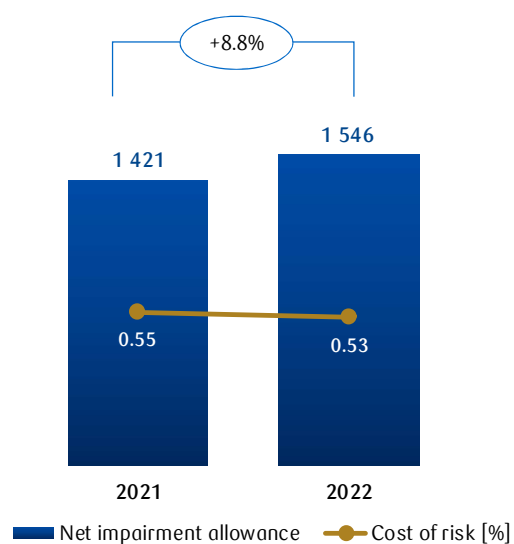


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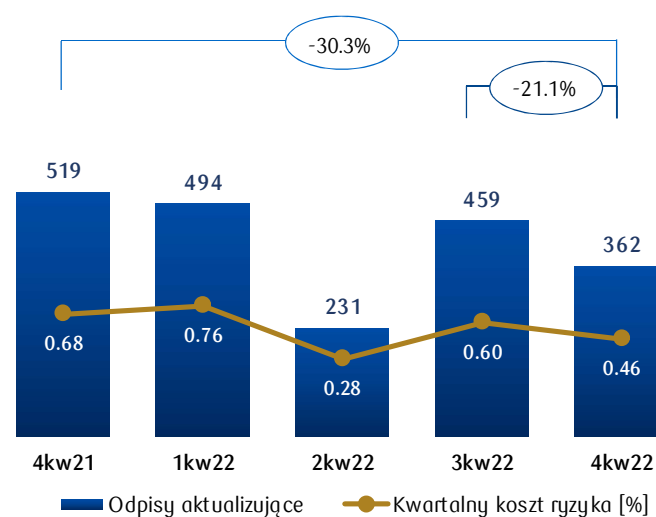
FINANCIAL RESULTS

Cost of risk

Net impairment allowance [PLN mln]



Quarterly net impairment allowance [PLN mln]



Cost of risk for 2022 at 53 pbs

Cost of risk in 4 quarter at 46 pbs

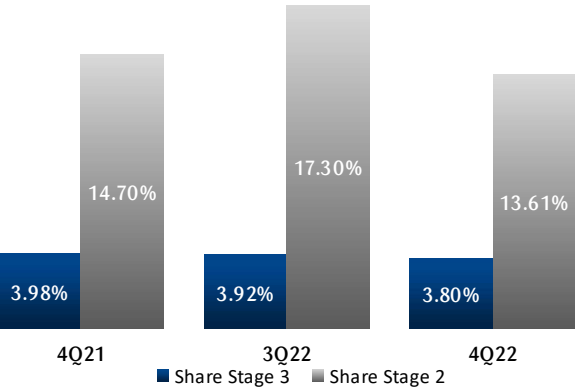


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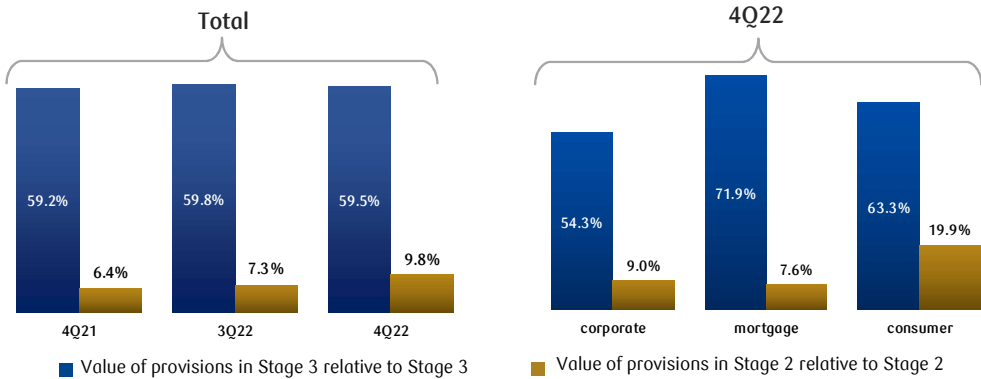
FINANCIAL RESULTS

High quality of customer financing

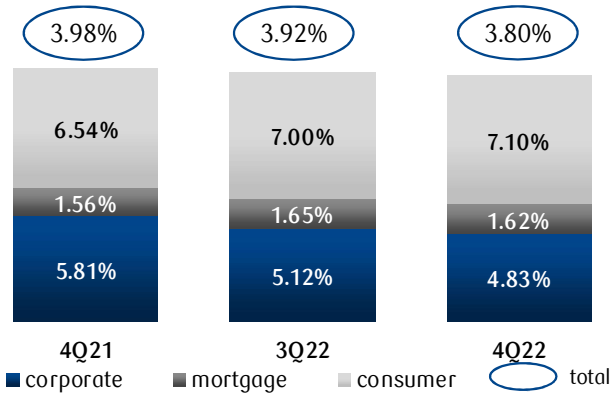
Share of receivables in stage 2 and 3 [%]



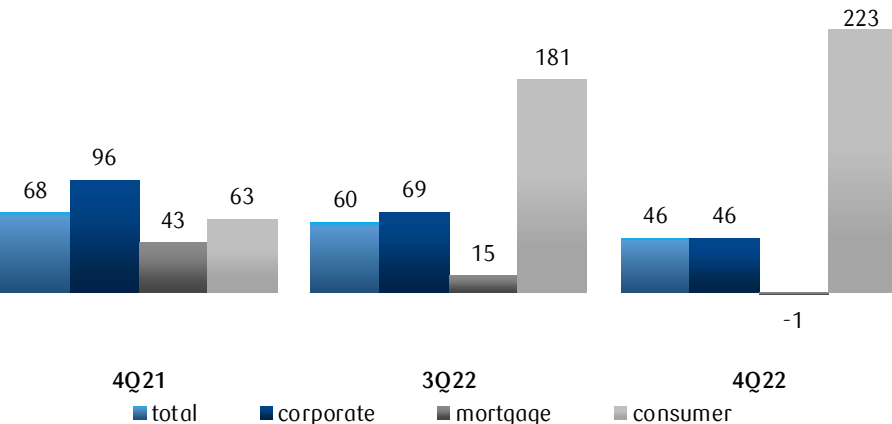
Provision coverage of receivables in stage 2 and 3 [%]



Share of receivables in stage 3 [%]



Quarterly cost of credit risk [bps.]





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FINANCIAL RESULTS

CHF mortgage settlement program

More than 37 ths motions submitted for mediation
Almost 21 ths mediations concluded successfully
More than 20 ths settlements concluded

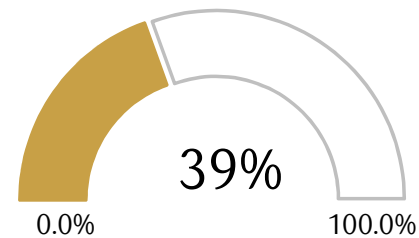
Process mostly performed in remote channels (78%)

Avg. 49 days since the submission of the motion to settlement signing

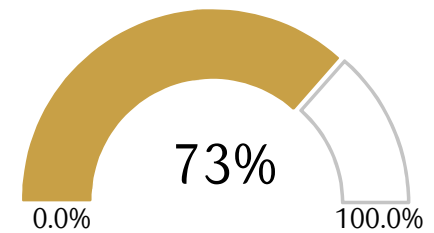
In June, the scope of products for which settlements were available was extended to include MIX mortgage loans granted in CHF for housing needs (purchase of real estate or repayment of other liabilities)

31st of December, 2022.

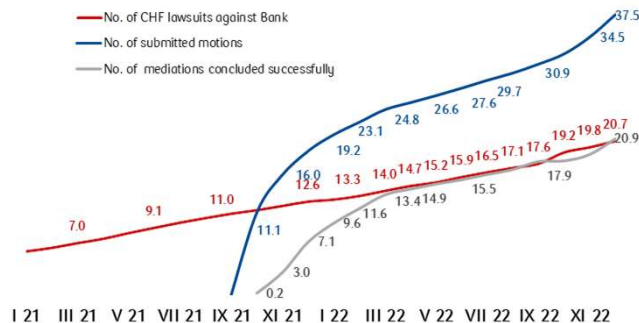
Share of motions submitted to total entitled CHF customers



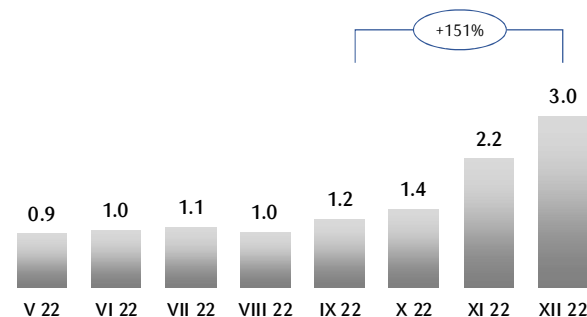
Share of successfully completed cases in total completed cases



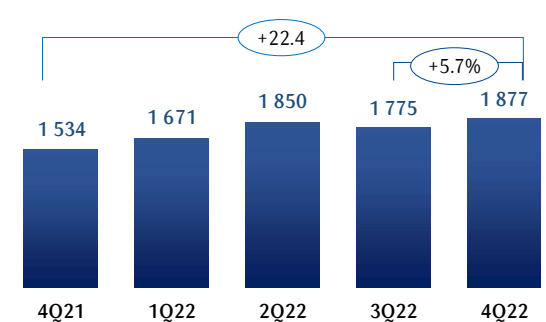
Number of cases regarding settlements of CHF borrowers



New mediation motions submitted [ths. Items]



The number of new court proceedings in a quarter [Items]



Data starting from the moment when program of settlements for Swiss franc borrowers was launched

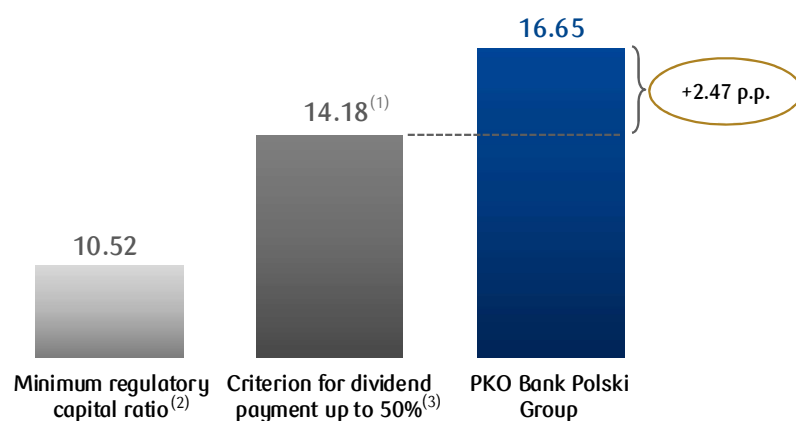
FINANCIAL RESULTS

Solid capital position

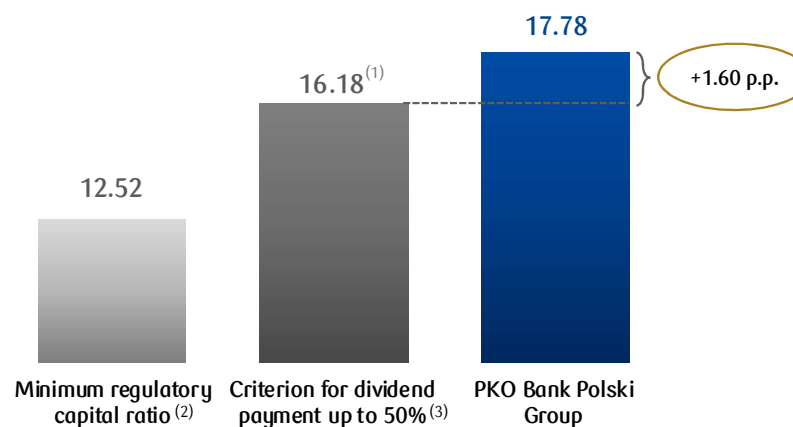


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CET1 = Tier 1 capital ratio [%]



Total capital ratio (TCR) [%]



(1) - PFSA's buffer for Group's sensitivity to an adverse macroeconomic scenario recommended in Pillar II is 0.66% (Bank: 0.72%)

(2) - Tier 1: CRR 6% + conservation buffer 2.5% + OSII buffer 2% + countercyclical buffer 0.02%

TCR: CRR 8% + conservation buffer 2.5% + OSII buffer 2% + countercyclical buffer 0.02%

(3) - Good credit quality of the portfolio of receivables from the non-financial sector, both in the Group and the Bank level (NPL share <5%)

Dividend payment minimums after adjusting the dividend payout ratio by the following criteria:

K1 - share of the foreign currency mortgages for households in total receivables of PKO from the non-financial sector (4Q'22: Bank: 6.1%; Group: 5.0%);

adjustment by - 20 p.p., when 5%<K1<10%.

K2 - share of the foreign currency mortgages granted in 2007/08 in PKO's total portfolio of foreign currency mortgages (4Q'22: Bank: 33.8%; Group 32.9%);

adjustment by -30 p.p., when 20%<K2<50%.



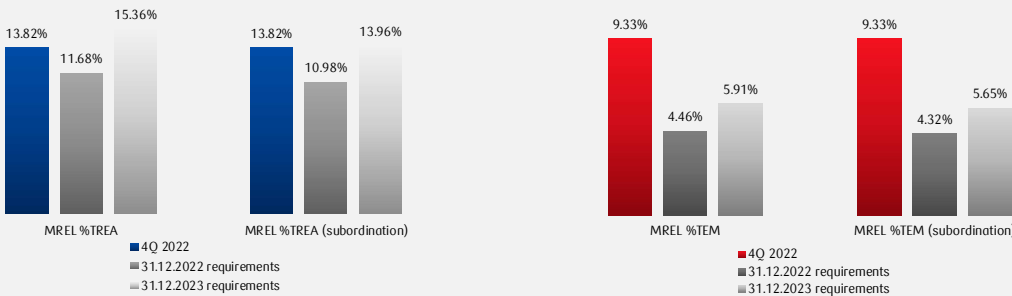
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FINANCIAL RESULTS

Issuance of senior preferred bonds related to MREL

- ✓ Bank Guarantee Fund determined the target MREL TREA requirement for the bank on a consolidated data at the level of 15.36% of TREA, which should be met by own funds and eligible liabilities meeting the subordination requirement at the level of 13.96% of TREA by 31 December 2023
- ✓ MREL TEM requirement for the bank on a consolidated basis has been set at 5.91% of TEM and should be met by own funds and eligible liabilities meeting the subordination requirement of 5.65% of TEM by 31 December 2023
- ✓ Bank Guarantee Fund exempted PKO Bank Hipoteczny S.A. from the requirement to maintain a minimum level of its own and eligible liabilities

DESTINATION PATH TO TARGETED MREL LEVELS



IN THE 1ST QUARTER OF 2023, BANK ISSUED senior preferred BONDS related to MREL REQUIREMENTS

TYPE OF BONDS	NOMINAL VALUE	COUPON	MATURITY
Senior preferred bonds	EUR 750 mln	5.625 %	Three years senior preferred bonds with the option of early redemption after 2 years from the issue



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Outlook 2023

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OUTLOOK 2023

Ambitious ESG goals 2023-2025



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Highest volume of new financing for sustainable and transformation projects

Top 3 Bank ESG financing in each business segment

Scope 1 and 2 climate neutrality by 2030

>90% energy purchased certified as green-sourced

Green bonds preparation for the issue of the bank's own green bonds

- ① Financial education of young people
- ② Support the digital transformation of various social groups including seniors
- ③ Counteracting social exclusion
- ④ Support for the population of Ukraine and for the country reconstruction process

- >40%** women in managerial positions
- >30%** women in material risk taker positions
- ~0%** gender pay gap
- >2%** participation of people with disabilities in job applications, recruitment interviews, and among employees
- <7%** voluntary leavers rate
- <14%** ratio of total staff turnover
- Reduction CO₂ emission** preparation and publication of a trajectory of CO₂ emissions reduction
- Expanding disclosures** systematic expansion of the scope of disclosures in the scope of CO₂ emissions of the bank

OUTLOOK 2023

Aspirations 2023



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Revenues

Growth of comparable NII due to base effect and volume growth

F&C level consolidation after dynamic growth of the last year

Costs

Improvement of C/I ratio due to lower burden of extraordinary items

Costs, excluding regulatory costs, increasing mainly due to inflation

CoR

CoR within the range specified in Bank's Strategy



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Conclusions

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CONCLUSION

Solid result driven by strong revenue growth, cost and risk control despite significant impact of extraordinary events



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Reported net profit at the level of PLN 3.3 bn with ROE 9.7% in 2022



Double digit growth in NII and fee and commission income



High level of cost effectiveness with dynamic of non-regulator costs other than regulatory one, up by 8.9% y/y, well below inflation



Balance sheet strength – cost of risk at 53 pbs, high level of coverage ratio and solid capital base with Tier 1 at 16.65%

READY TO IMPLEMENT STRATEGY OBJECTIVES 2023-2025