

# 1Q'24 Financial results

Strong growth in retail banking

Warsaw, April 30th, 2024



# Strong growth in retail banking



**We have achieved favorable sales results in the area of retail banking. We have recorded high dynamics of new sales in both mortgage loans and cash loans**



**We have continued rapid growth in the area of financing for small and medium-sized enterprises**



**We have continued high pace of growth in digital channels. We have introduced more functionalities and improvements to our mobile application**



**We have maintained our underlying cost of risk at a low level**

# AGENDA

- ▶ **Key achievements**

- ▶ Macro & Financial results

- ▶ Appendix

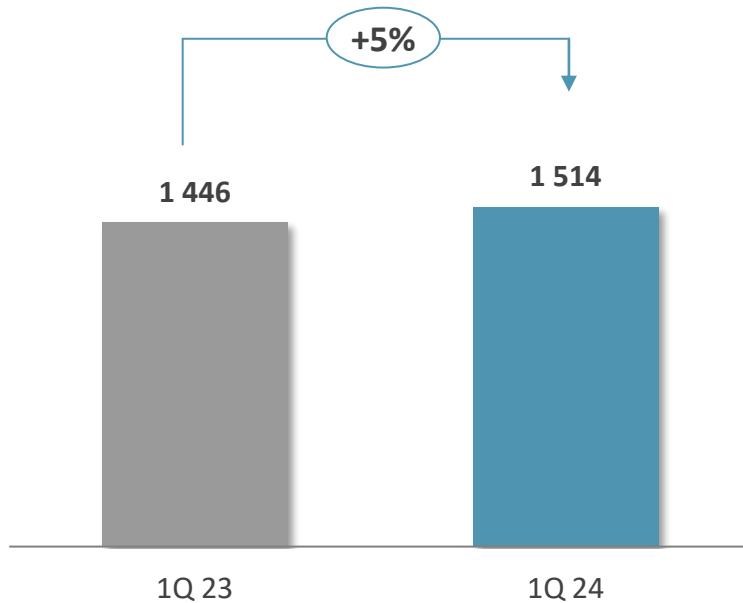




# Strong growth in retail banking

## Net profit generation

PLN m



## Key levers of financial performance in 2023



**Profitability:** Increase in net profit due growing operating income in environment of higher interest rates



**Business activities:** Increase in loan volumes in retail segment



**Risk management:** Stable cost of risk. High coverage of CHF mortgage loan portfolio



**Value for investors**

Diversified business model with strong balance sheet and good capital position.  
Ongoing focus on digital transformation



# We are focused on our 2021-2024 strategy based on 4 pillars

- Maintaining **high pace of growth of active mobile banking customers to 3.2 m**

- Responsible approach to balance sheet origination **keeps underlying CoR under control at 39 bps**



- **RoE at 19.6%**

- **C/I at 39.3%**

Note: financial indicators for 1Q'24. C/I including BGF charges.

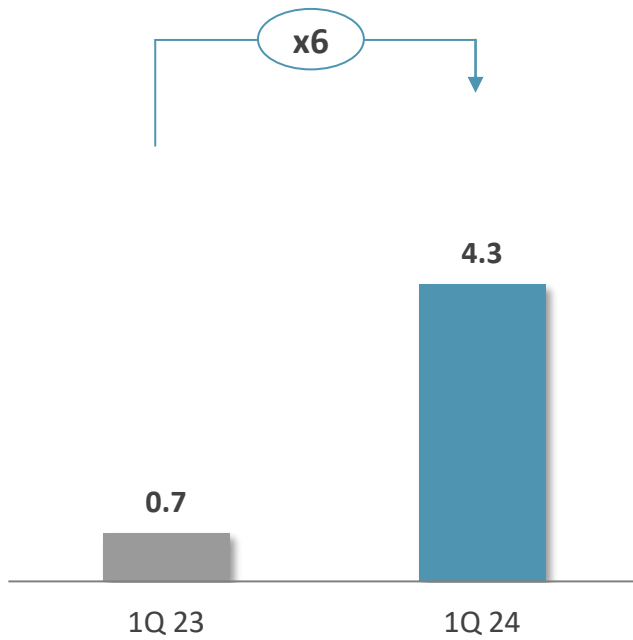


Growth

# We increase scale of the business

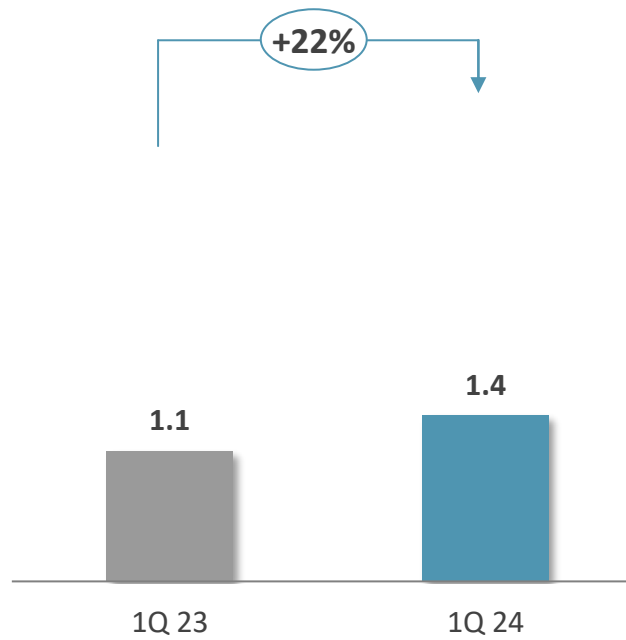
## New sales of mortgage loans

PLN bn



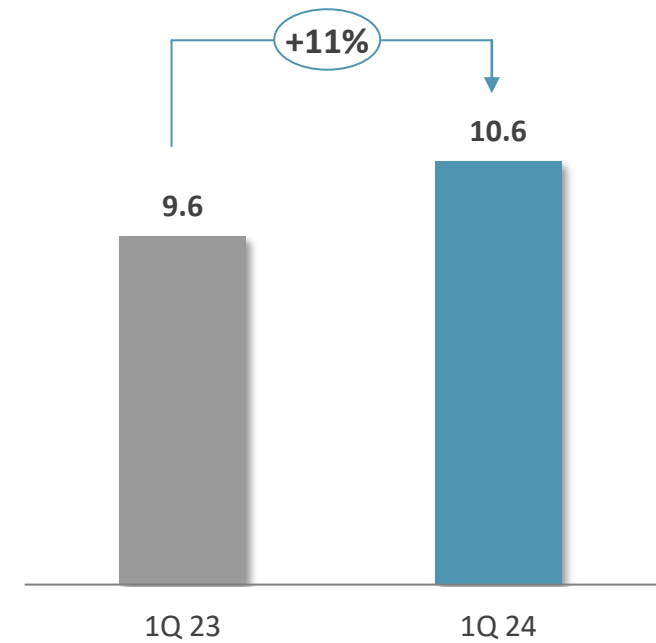
## New sales of cash loans

PLN bn, net



## SME financing volume

PLN bn





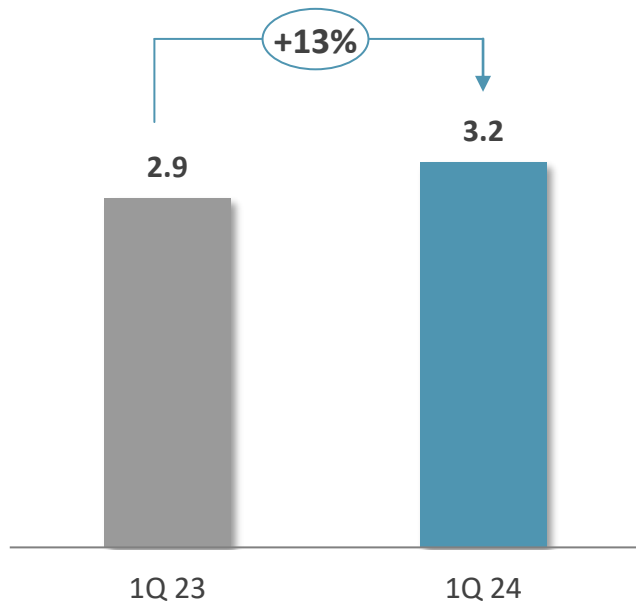
Customer

# We already have over 3.2 million active mobile banking customers - we have achieved our strategic goal for 2024

## Active mobile banking customers

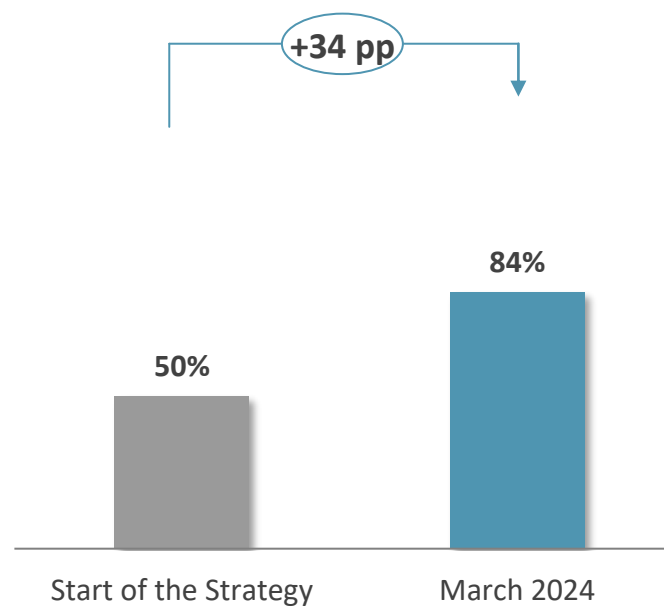
m

**3.0 m** Number of active PeoPay users (+17% y/y)



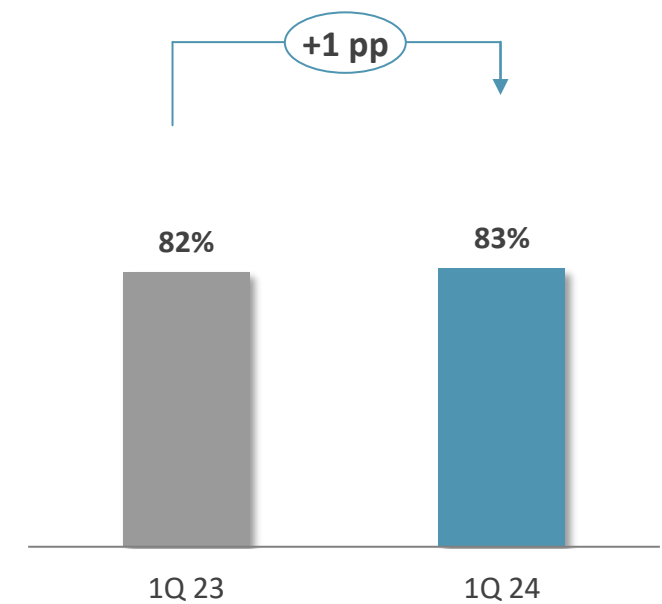
## Digitisation rate<sup>1</sup>

%



## PEX digital sales of total

%



<sup>1</sup> Digitisation rate defined as the percentage of processes that a customer can perform in digital channels in the entire offer of retail banking processes and services



Customer

# Piggy Banks - saving for goals. New in PeoPay and Pekao24 applications



## We support regular saving

Our customers can more easily save money for their dream goals in PeoPay app and Pekao24 online banking. Piggy Banks teach systematicity. You can save regularly or make your own contributions. Saving doesn't cost anything - customers won't pay anything for opening, managing or transferring money. Each Piggy Bank has its own individual account number, which makes it easier to top it up or ask your loved ones to do so.

## Piggy Bank can become colourful

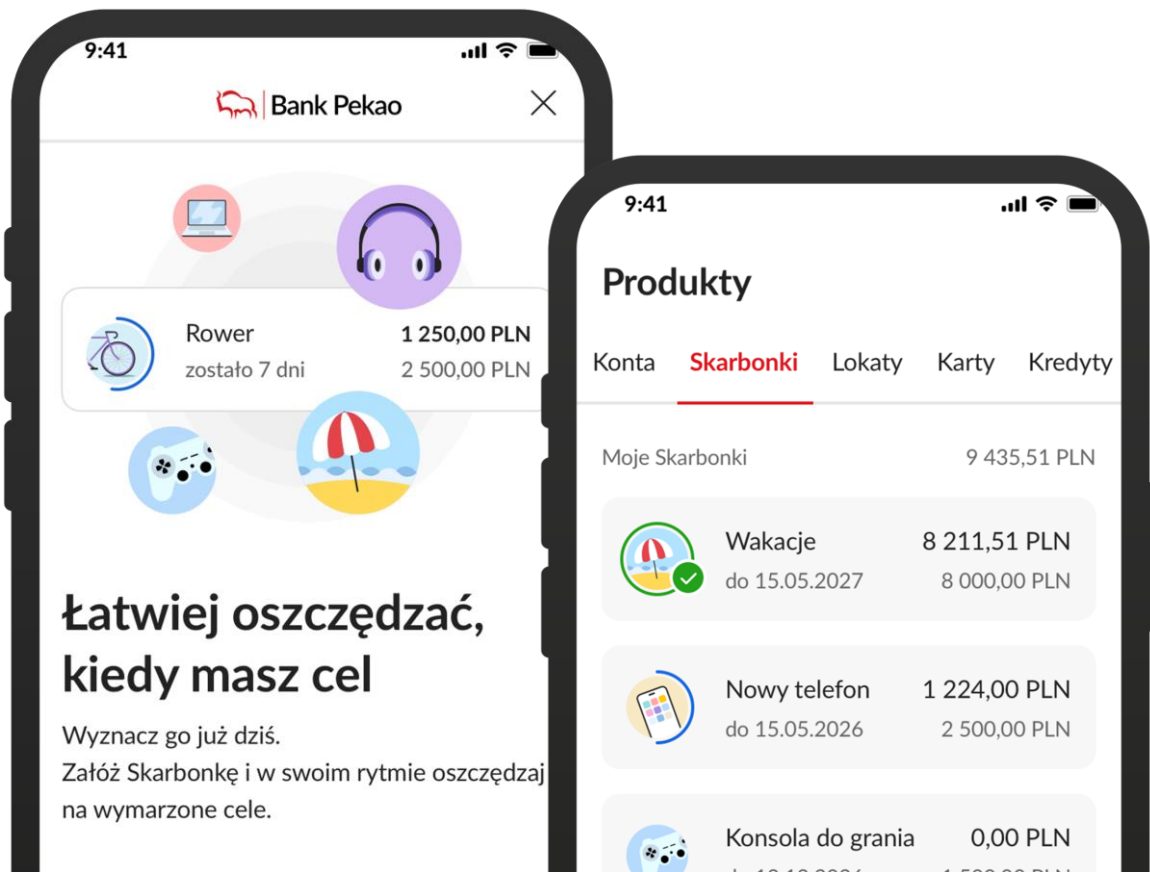
Customer can choose graphics that suit the purpose or add his own photo.

## It's easier to save when you have a goal

Customer can view his piggy banks and progress of the goal for which he is saving money. You can deposit additional money at any time, share the Piggy Bank account number with your loved ones, partially withdraw money or split it if necessary.

## Saving in several ways

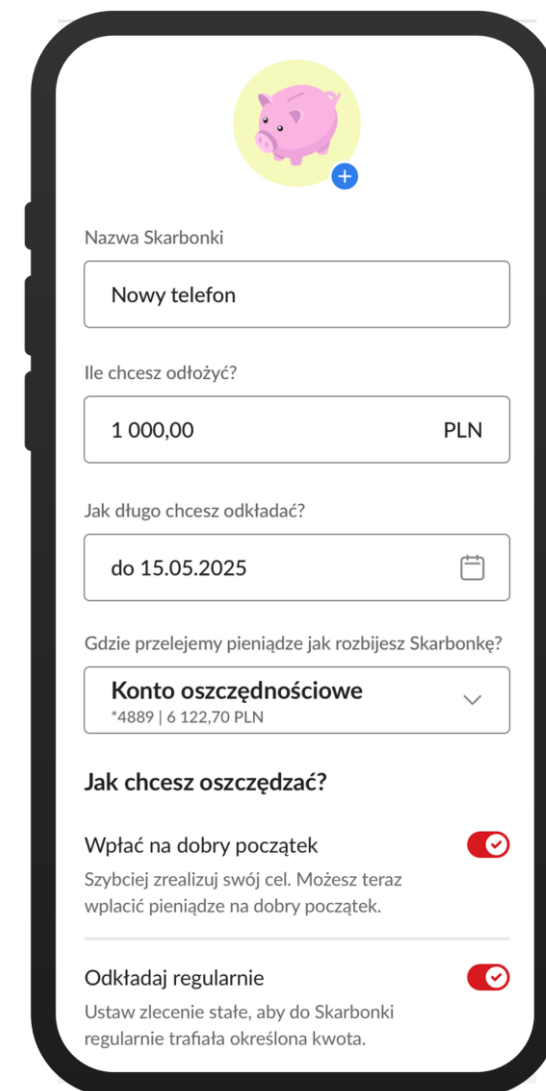
- independent payment
- payment by relatives to a dedicated account number
- regular payments based on a standing order



## Łatwiej oszczędzać, kiedy masz cel

Wyznacz go już dziś.

Założ Skarbankę i w swoim rytmie oszczędzaj na wymarzone cele.







Customer

# We are changing for our customers - new functions in electronic channels in 1Q'24

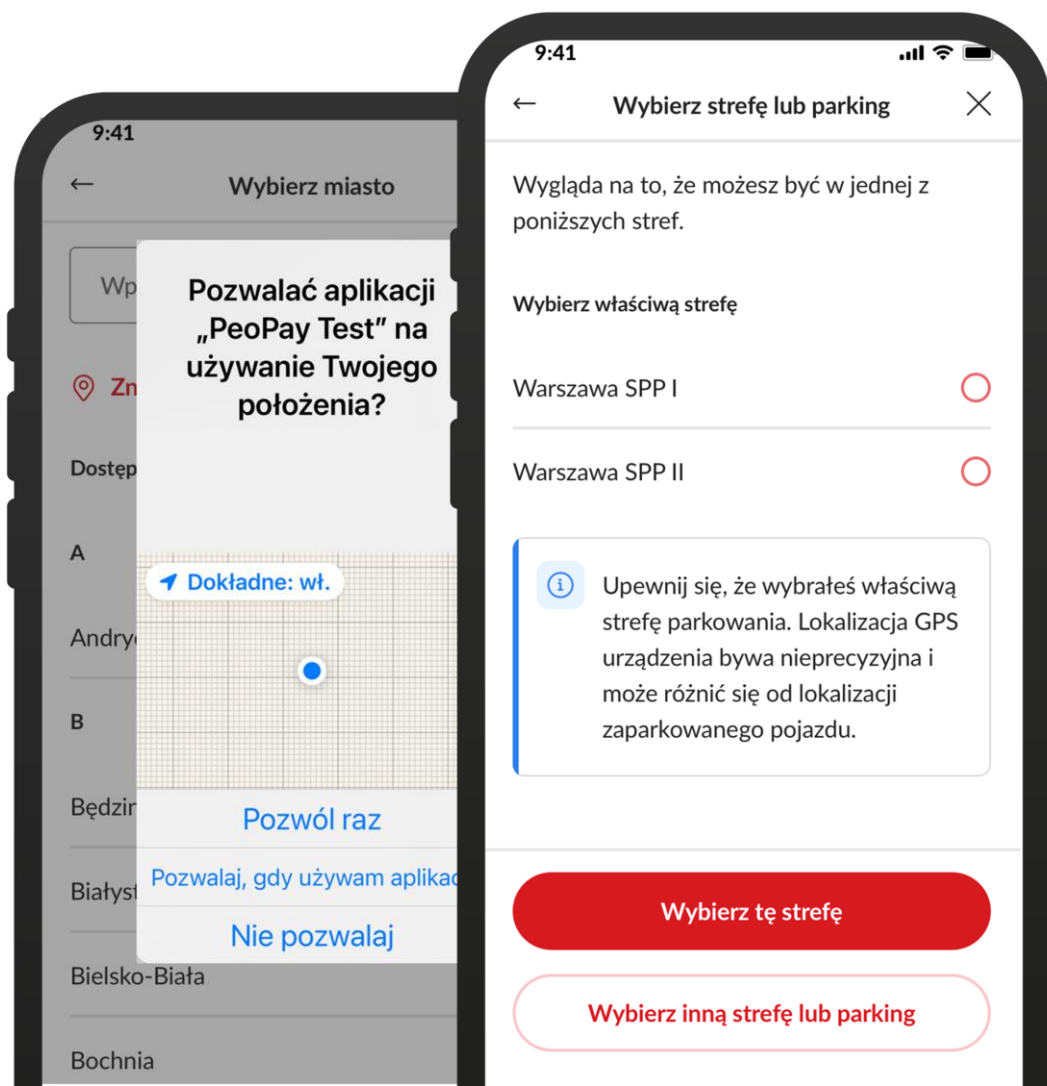


- **Miles & More program** - registration in the program and presenting a card in PeoPay enabling check-in in business class
- **Piggy banks for adults** enabling saving for a selected purpose
- **Request for a BLIK transfer** in PeoPay
- Dedicated **application personalization** options for Private customers
- **New and more functional chat** with hotline employees
- **Presenting customer advisor data** and refreshing the "contact" section in PeoPay
- **New seasons of educational game** in PeoPay KIDS application
- **Two-factor login** to Pekao24 website using PeoPay application
- **Application for support benefits** for people with disabilities



Customer

# Soon parking and access to tickets will be even more convenient

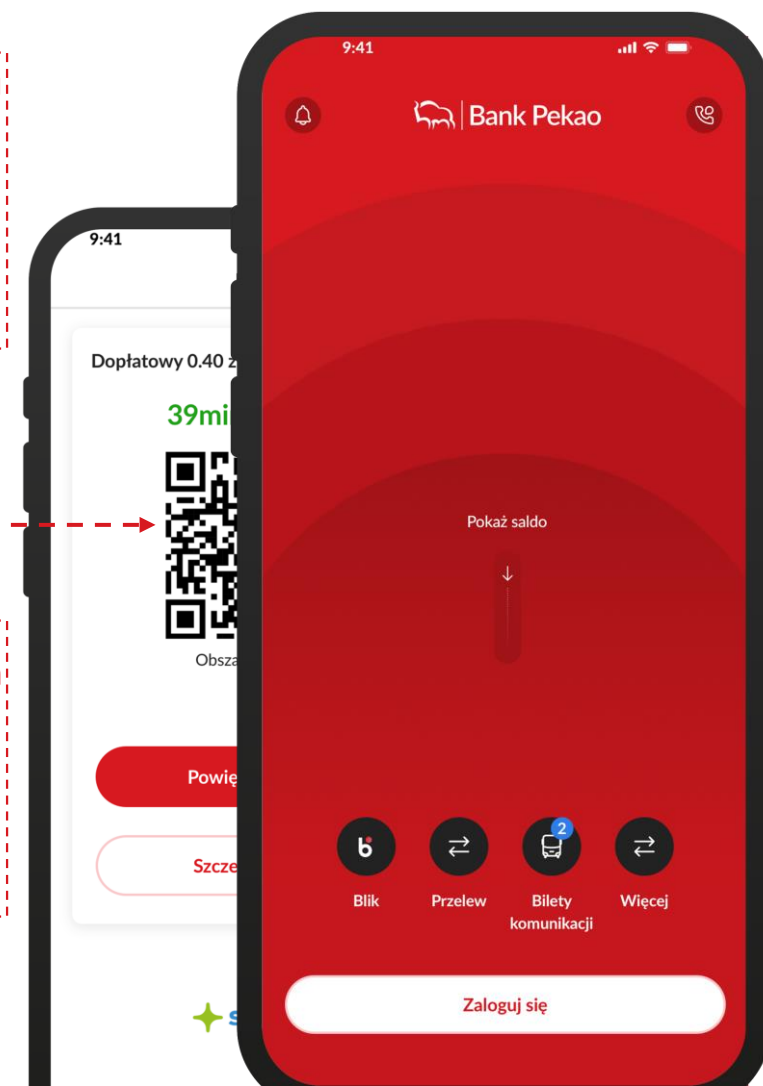


## PeoPay will tell you which parking zone you are in

Thanks to the activated geolocation service, the application will tell the customer in which zone and city he is located, thanks to which he will pay for parking in the right place faster.

## Faster access to the ticket during inspection

Customer will be able to quickly access purchased/active tickets before logging in, which will allow for greater privacy during inspections in crowded city transport.





Customer

# We consistently support development of our clients



EUR 2 bn

8Y Bonds, 15Y Bonds

Arranger,  
Joint Bookrunner



EUR 1.1 bn

Term Loan & RCF Increase

Original Lender



EUR 1 bn

Investment loan

RCF  
MLA, Agent



Award for „The Best Investment Bank in Poland 2024” from Global Finance magazine



PLN 2.5 bn  
& EUR 150 m

Term Loan, RCF

Arranger



PLN 500 m

1Y Bonds

Additional Dealer



PLN 230 m

3Y Bonds

Joint Lead Manager



The bank was recognized as the leader of trade finance services in Poland, winning the title of "Market Leader in Poland 2024" and award in the "Best Services in Poland 2024" category



Bank Pekao won Global Finance magazine title of „The Best Bank for Sustainable Finance in Central and Eastern Europe 2024”



# We are on track to fulfill our 2021-2024 Strategy

Strategic goals of Bank Pekao	1Q'23	1Q'24		2024
	Execution	Execution	Y/Y	Target
ROE (%)	24.2	19.6	-4.6 pp	~10 <sup>1</sup>
C/I (% incl. BGF)	36.7	39.3	+2.6 pp	42
Active mobile banking customers (m)	2.9	3.2	+13%	3.2
Digitisation rate (%)	~50 <sup>2</sup>	84	+34 pp <sup>3</sup>	~100



Implementation of ESG Strategy published in June'21



Dividend payment of 50% of net profit from 2023 and undistributed profit from 2019.  
Dividend per share: **PLN 19.20**.  
(payout date: May 10)



<sup>1</sup> Assuming the NBP reference rate at 0.1%

<sup>2</sup> Starting value for the new strategy adopted and published in March 2021

<sup>3</sup> Increase in the digitization rate since the beginning of the implementation of the strategy adopted and published in March 2021

▶ Key achievements

▶ **Macro & Financial results**

▶ Appendix

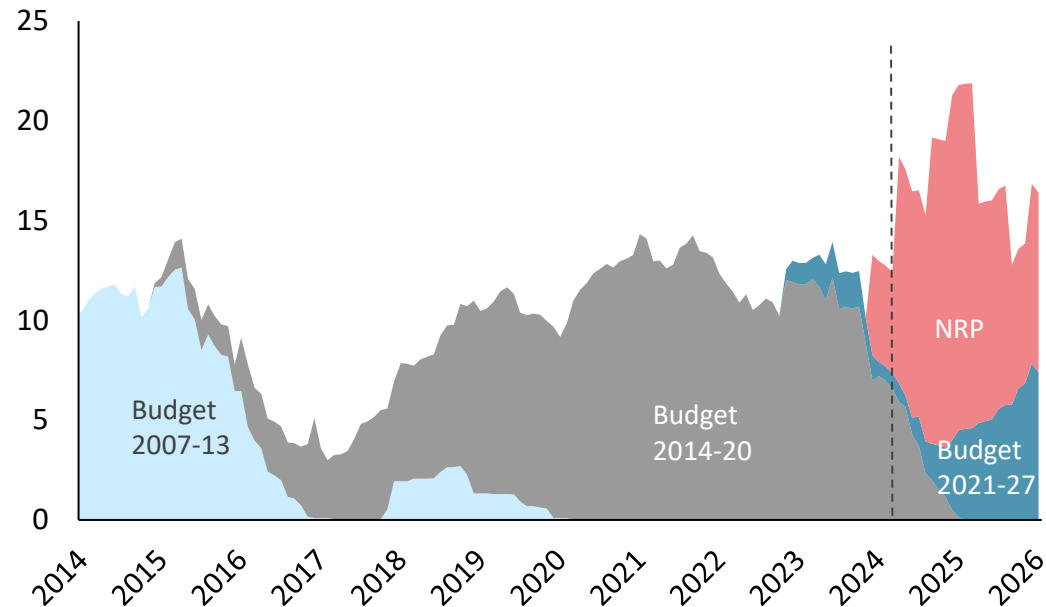




# First signals of rebound in consumption are already there. Funds from the National Recovery Plan will increase growth in 2025

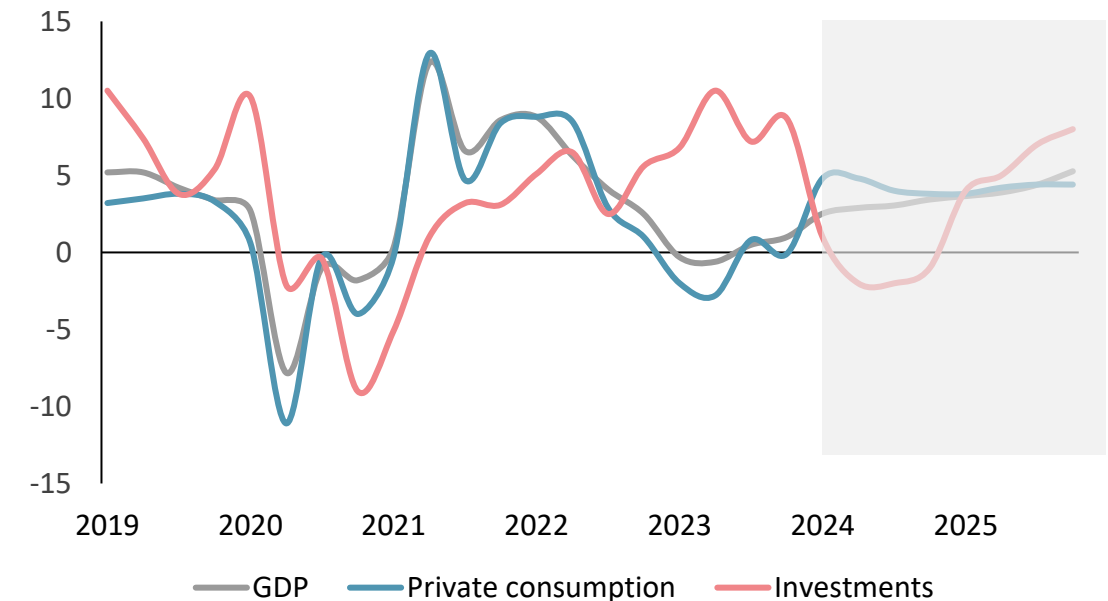
## Transfers of EU funds to Poland

EUR bn, current prices



## Poland's GDP and its main components

% y/y



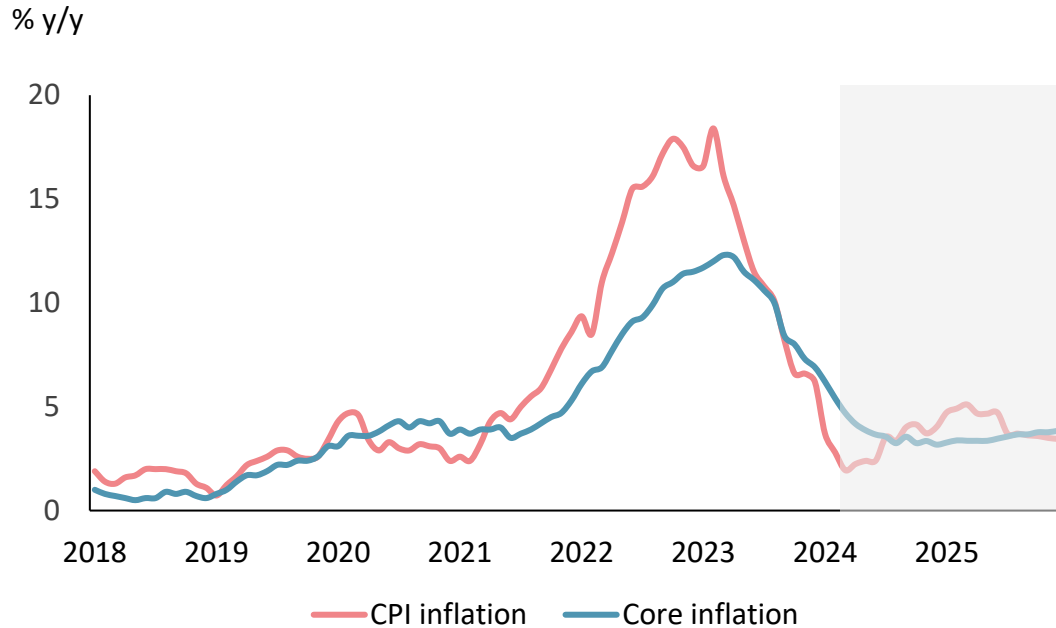
- We have already seen signs of a rebound in consumption (retail sales surprised on the higher side), but the economic recovery in Poland is starting slowly. In 1Q'24, economic growth will amount to approx. 2% y/y and in the entire 2024 approx. 3% y/y. We maintain our cautious forecast on this matter.
- Funds from National Recovery Plan will be an important growth factor. In April alone, EUR 6.3 billion was received from this source. We believe that this money will increase public investment with a delay and only in 2025 will we see a clear impulse for economic growth. However, the impact on the currency market is already visible. The strong zloty is partly the result of the inflow of European funds.

Source: Pekao S.A., Statistics Poland

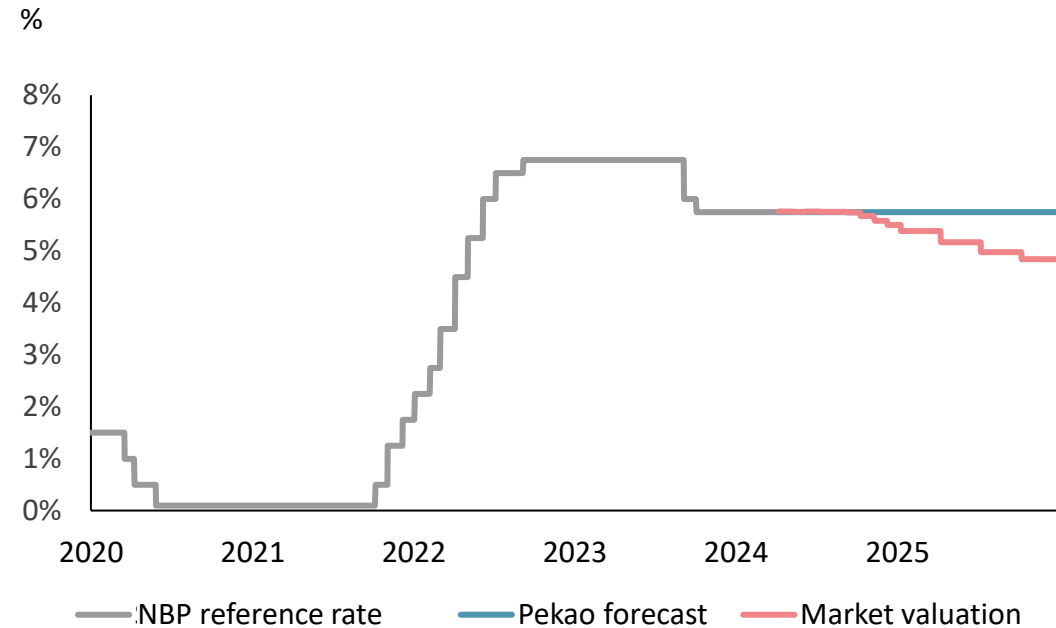


# Inflation rebound on the horizon, the Monetary Policy Council will not change interest rates

## Inflation and core inflation with forecast



## NBP interest rate with expectations



- Disinflation is surprising in its strength and pace. However, the current stay around the inflation target will be short-lived, and in the second half of the year the shape of the inflation path will strongly depend on regulated factors regarding energy tariffs. At the end of 2024, inflation will accelerate to approximately 4% y/y, but this rebound will be based mainly on non-core factors. Core inflation will continue to decline asymptotically throughout the year.
- We further assume that interest rates will remain unchanged until the end of 2024 or even 2025. MPC remains hawkish given the uncertainty related to the increase in regulated prices, as well as the scale of the expected economic recovery and the resulting rebound in inflation in the second half of the year. Cuts are possible in an alternative scenario as a reaction to excessive appreciation of the zloty amid cuts in the rates of the main central banks.

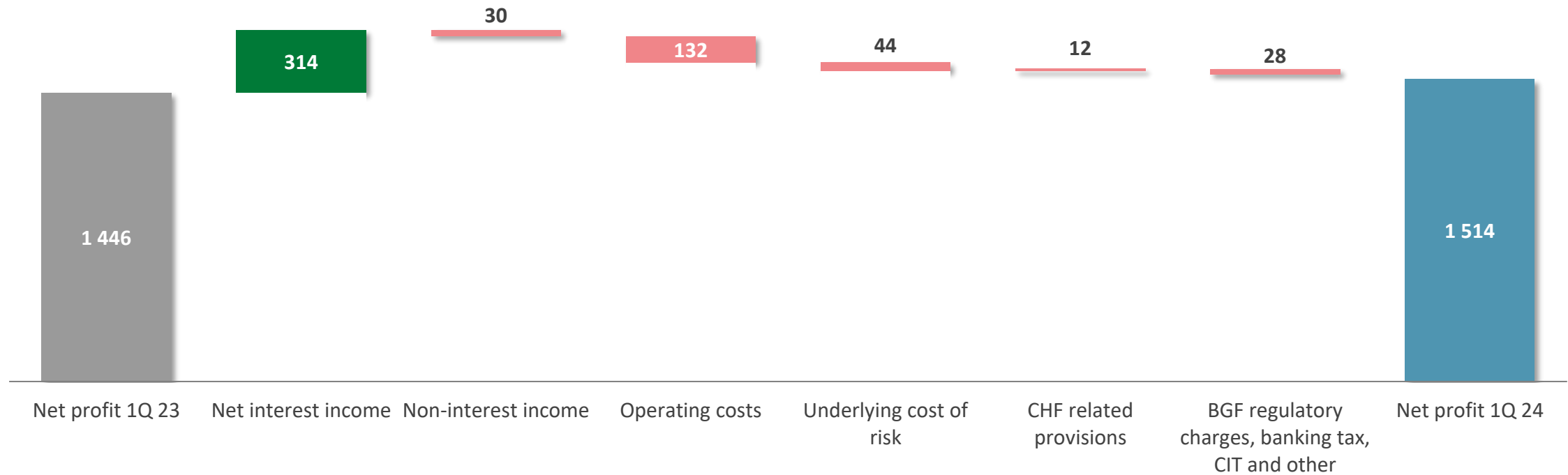
Source: Pekao S.A., Statistics Poland, NBP, Refinitiv



# Net profit walkpath in 1Q'24

**Increase in net interest income was decisive for increase in net profit y/y**

PLN m



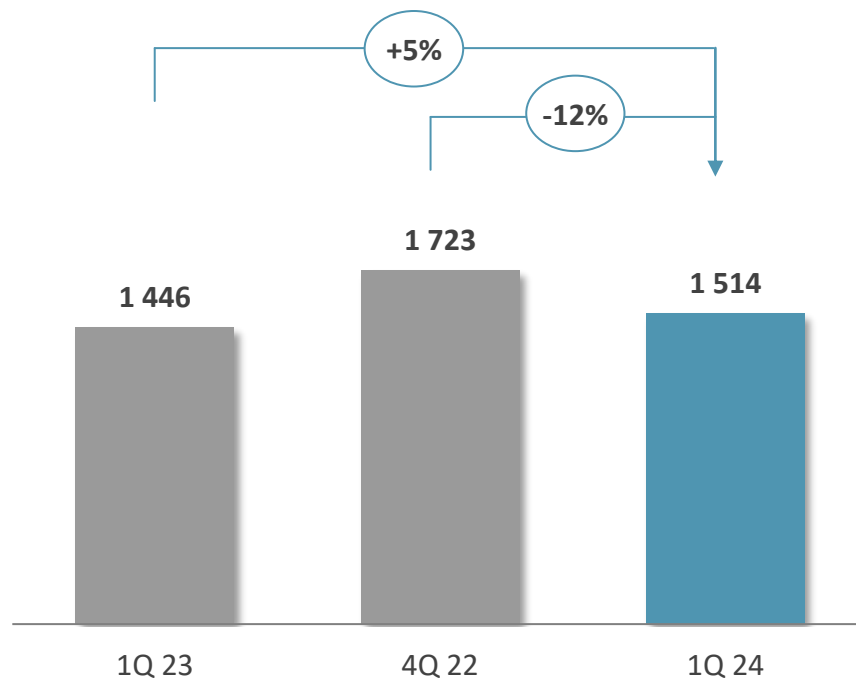




# Increase in net profit due to growing net interest income

## Net profit generation

PLN m



Net profit increase in 1Q'24 due to:

- increase in net interest income
  - increase in volumes
  - stable net interest margin
- Cost/Income ratio (incl. BGF) in 1Q'24 at the level of 39.3%



Value for investors

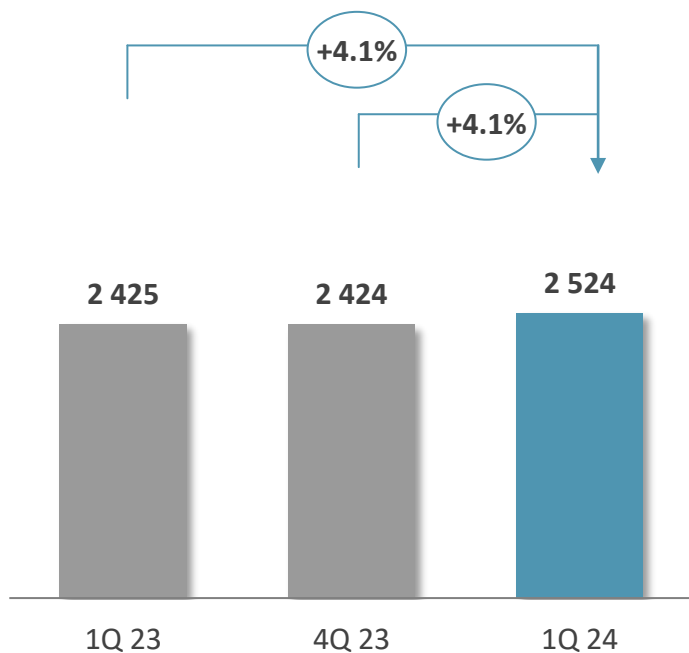
RoE in 1Q'24 at 19.6% with strong capital position (T1 of 15.4%)



# Growth of operating income by 6.5% y/y

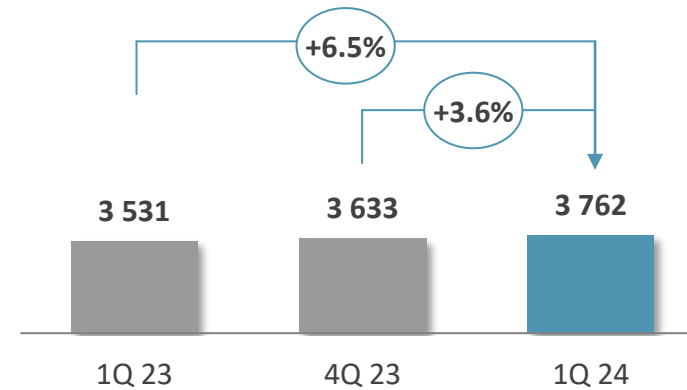
## Gross operating profit

PLN m



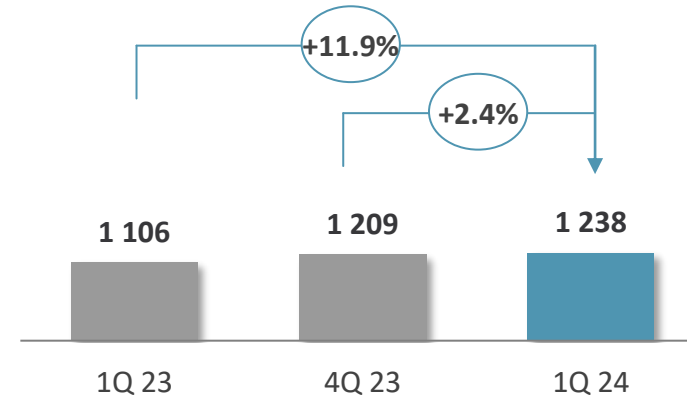
## Operating income

PLN m



## Operating costs<sup>1</sup>

PLN m



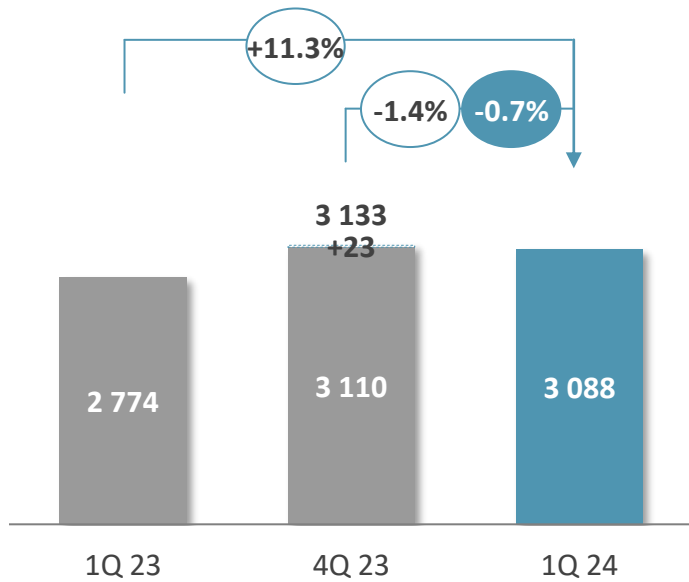
<sup>1</sup> Excl. BGF



# Stabilization of net interest margin

## Net interest income

PLN m



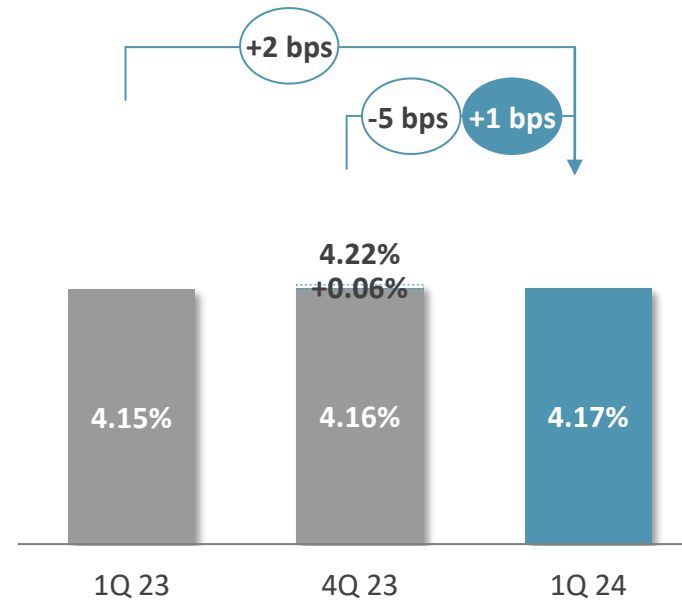
XX Reported dynamics

XX Dynamics excluding negative impact of payment moratoria

Effect of payment moratoria

## Net interest margin

%



Average  
WIBOR 3M

6.93%

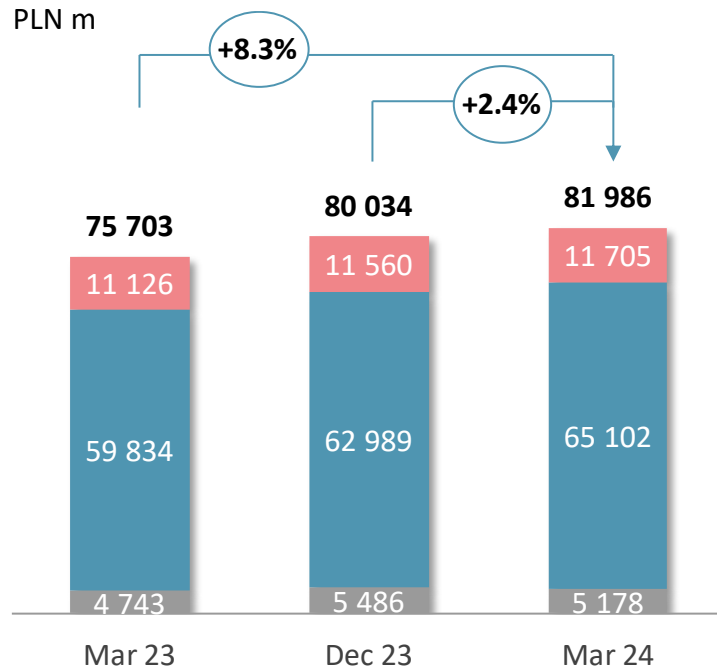
5.76%

5.86%



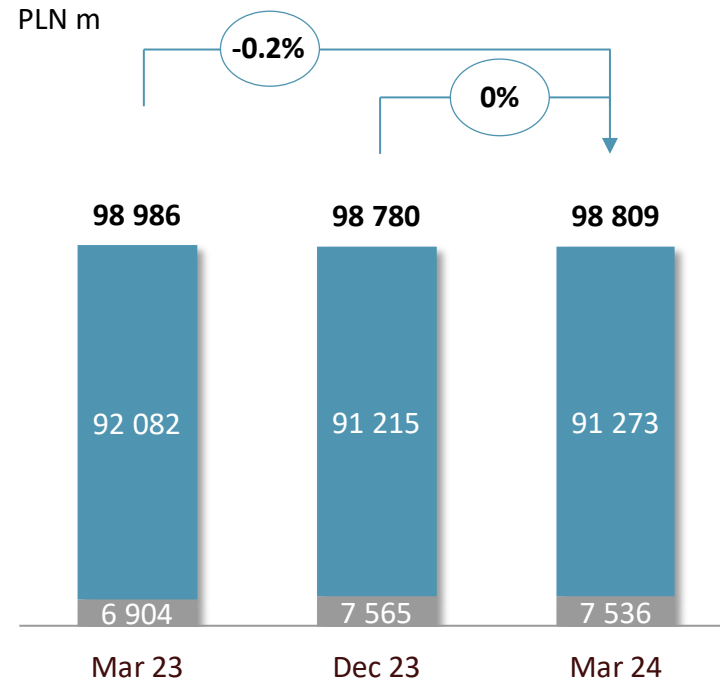
# Increase in volume of retail loans by 8% y/y. Stabilization of corporate loan portfolio y/y

## Retail loan volumes<sup>1</sup>



- Consumer loans
- PLN mortgage loans
- Other retail loans

## Corporate loan volumes<sup>2</sup>



- Corporates
- Other corporate loans (Public sector)

- Total loans increased by 3% y/y
- Increase in volume of retail loans by +8% y/y with positive dynamics of mortgage loans and cash loans
- +4% y/y increase in loan portfolio of combined MID and SME segments (enterprise segment)

<sup>1</sup> Gross loans

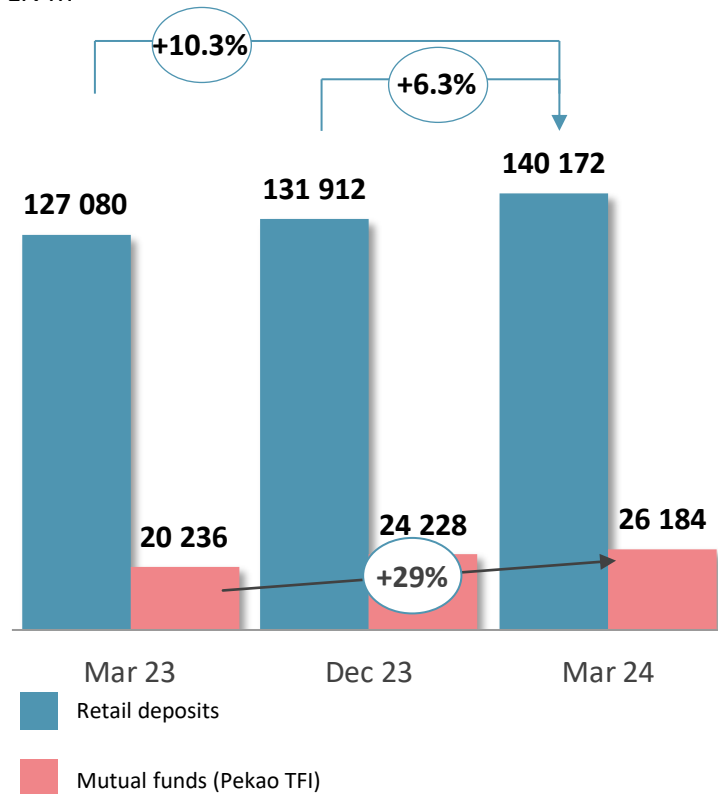
<sup>2</sup> Gross loans, Corporate and Enterprise segments including leasing and factoring, excl. BSB and reverse repo transactions.



# Increase in total deposit base by 10% y/y and increase in volume of investment funds by 29% y/y

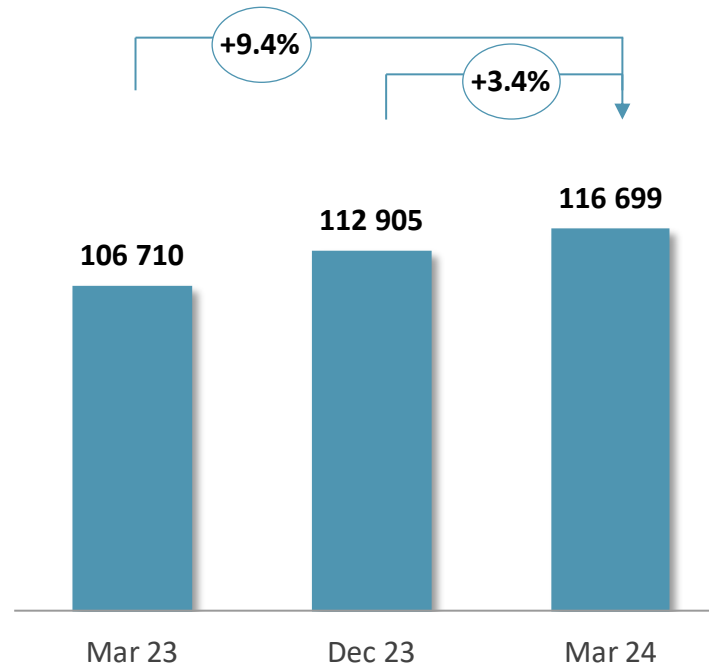
## Customer retail savings

PLN m



## Corporate deposits and own issues<sup>1</sup>

PLN m



- Total deposit base increased by 10% y/y
- Net sales of investment products increased by 86% y/y in 1Q'24

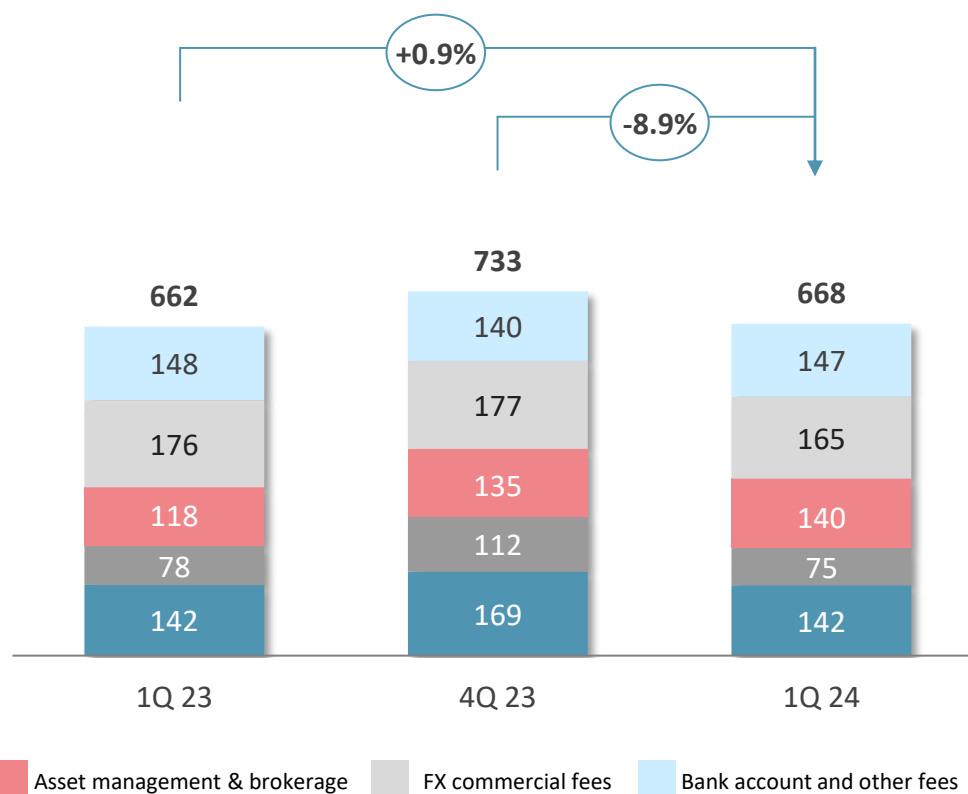
<sup>1</sup> Corporate and Enterprise segments, excl. SBB and repo transactions



# Stabilisation of net fees and commissions

## Net fee and commission income

PLN m



- Growing contribution of asset management and brokerage fees due to improving market situation
- Positive effects of distribution of treasury bonds
- Lower customer activity on the FX market at the beginning of the year

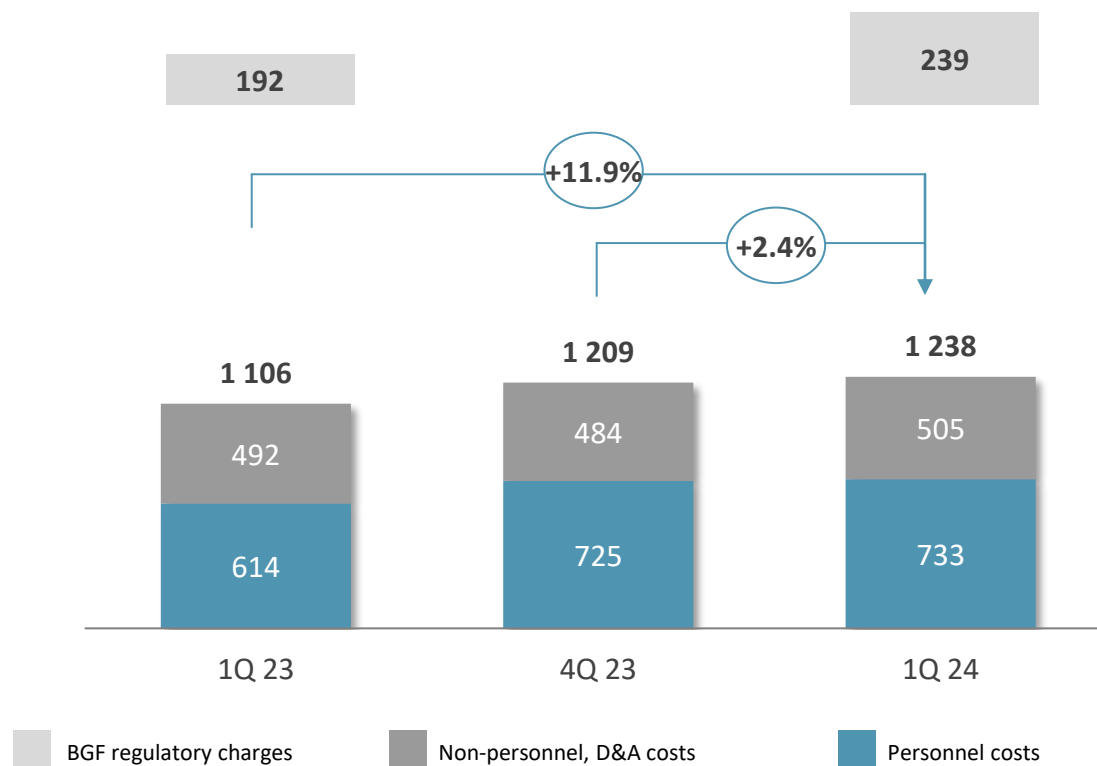
Note: The Group has changed the method of presenting costs related to cash transactions. These costs are currently presented in "Costs of commissions and fees". Before the change, they were presented in "General administrative costs and depreciation".



# Growth of operating costs

## Operating costs

PLN m



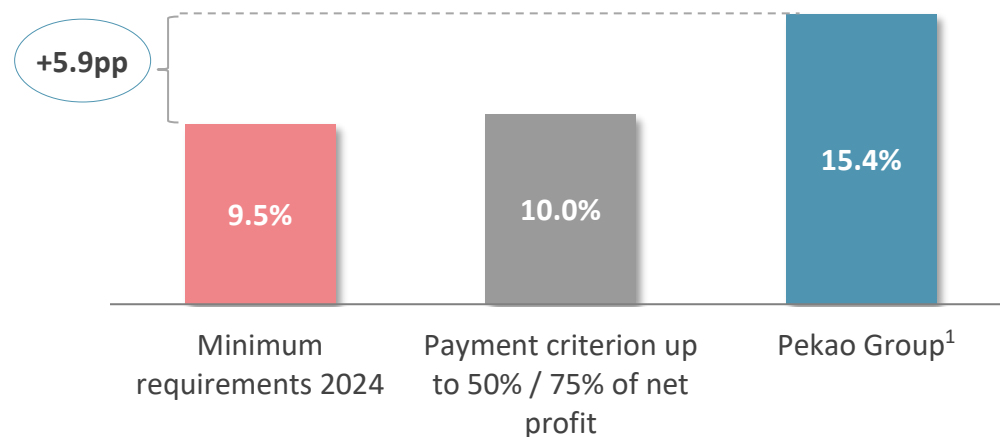
- Increase in personnel costs due to wage indexation
- Increase in BGF charges



# Robust capital position. Dividend potential in line with the strategy (50-75% of net profit)

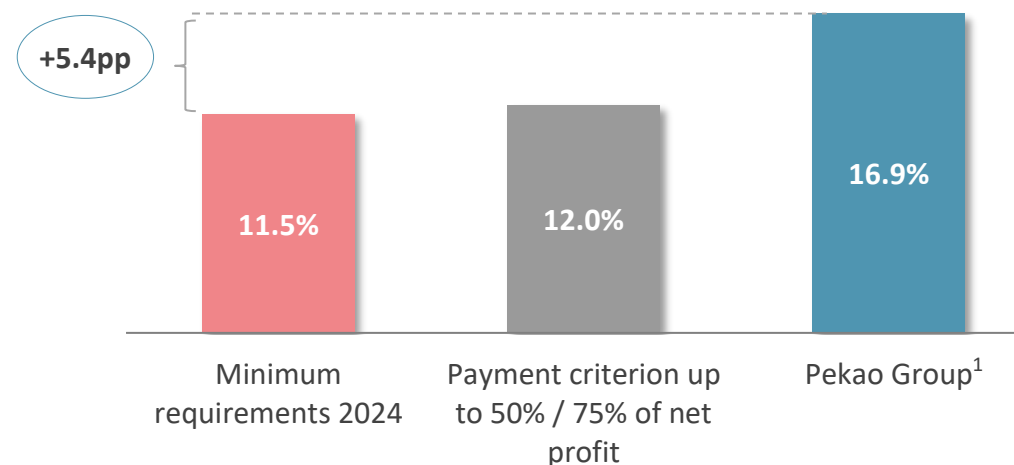
## Tier 1

%



## Total capital adequacy ratio

%



<sup>1</sup> Data including retrospective recognition of profit for 2023 after the AGM, in accordance with EBA's position expressed in Q&A 2018\_3822 and Q&A 2018\_4085

Note: the criterion for payment of up to 50% of net profit in the form of a dividend is the minimum requirement for the Group (9.52%) increased by the P2G parameter (0.49%). The criterion for payment of up to 75% of net profit in the form of dividend is the fulfilment of the criterion for payment of 50% (10.02%) and the additional criterion: the share of NPL in the portfolio of receivables from the non-financial sector at a level of up to 5%.

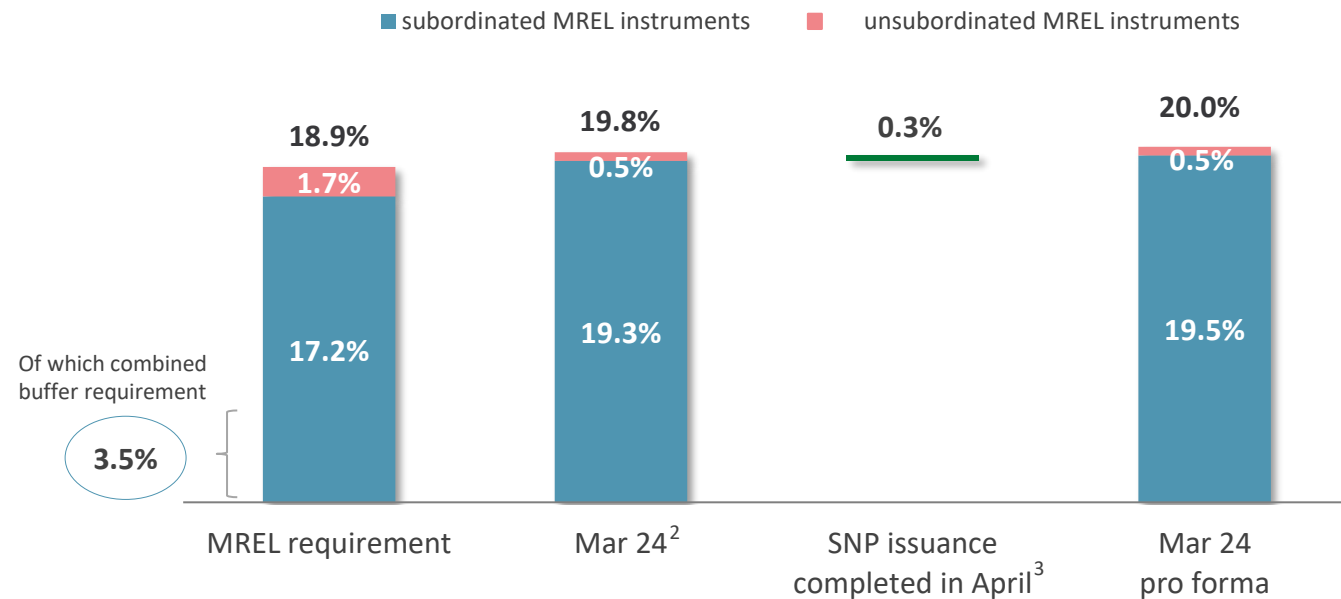




# Minimum requirement for own funds and eligible liabilities (MREL)

## MREL requirements

%



- Target of total MREL is 18.9%<sup>1</sup>, while for subordinated MREL is 17.2%<sup>1</sup> of total risk exposure amount
- Both total and subordinate MREL requirements are met
- Ultimately, in order to build a surplus above the minimum MREL level, the Bank plans to issue approx. PLN 4 billion of debt (SNP and SP) in the coming years

<sup>1</sup> Taking into account combined buffer requirement of 3.53 pp.

<sup>2</sup> Data including retrospective recognition of profit for 2023 after the AGM, in accordance with EBA's position expressed in Q&A 2018\_3822 and Q&A 2018\_4085.

<sup>3</sup> The SP issuance in the amount of PLN 500 million settled on April 26, 2024.

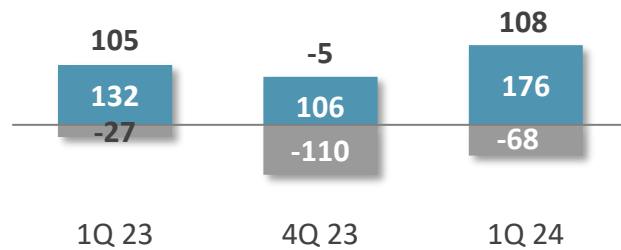


# Cost of risk below strategy assumptions

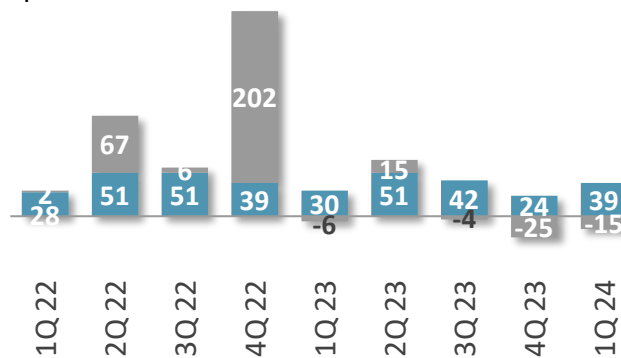
## Cost of risk

PLN m

- Underlying cost of risk
- CHF portfolio provisions



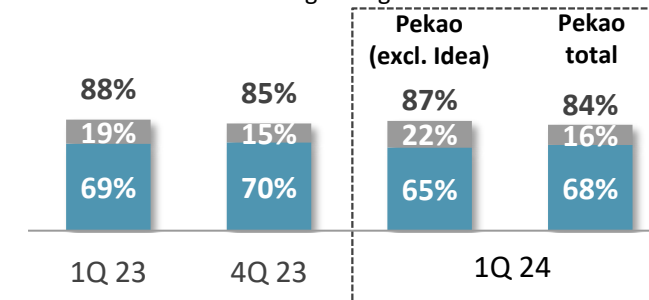
bps



## NPL coverage ratio

%

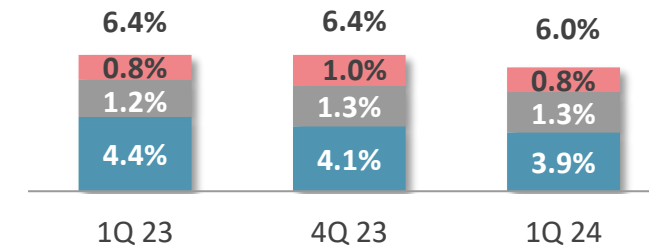
- NPL coverage: Stage 3
- NPL coverage: Stage 1-2



## NPL ratio

%

- CHF portfolio (covered by legal provisions)
- ex-Idea portfolio (covered by BGF guarantee)
- Underlying NPL



- Underlying cost of risk at the average level from recent quarters
- Improving NPL ratio both at the level of core business and the entire portfolio



## Strong growth in retail banking



**We have achieved favorable sales results in the area of retail banking. We have recorded high dynamics of new sales in both mortgage loans and cash loans**



**We have continued rapid growth in the area of financing for small and medium-sized enterprises**



**We have continued high pace of growth in digital channels. We have introduced more functionalities and improvements to our mobile application**



**We have maintained our underlying cost of risk at a low level**

- ▶ Key achievements
- ▶ Macro & Financial results
- ▶ **Appendix**





# All our businesses contributed to 1Q'24 performance

1Q'24 (vs 1Q'23)



## Retail banking

**+526%** New sales of mortgage loans

**+22%** New sales of cash loans (net)

**+37%** New sales of business financing



## Enterprise banking

**+81%** Acquisition in MID segment

**+11%** SME financing volume

**+11%** New sales of MID financing



## Corporate banking

**+114%** Income from issuance of debt securities

**+14%** Factoring portfolio

**+12%** Leasing portfolio

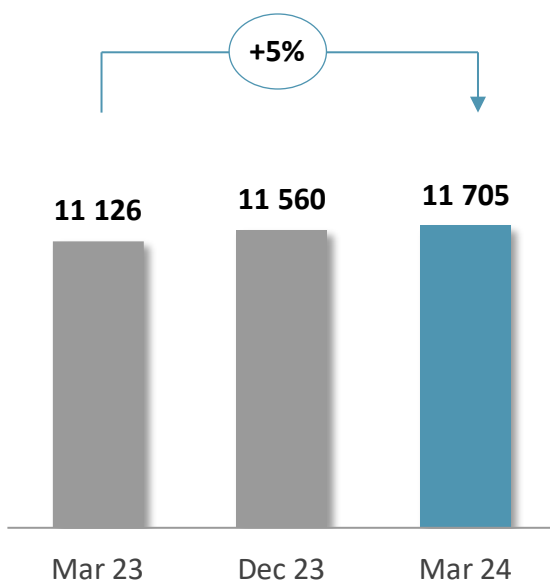
Note: Enterprise Banking segment consists of former MID and SME segments



## Retail banking: Increase in sale of cash loans by 22%

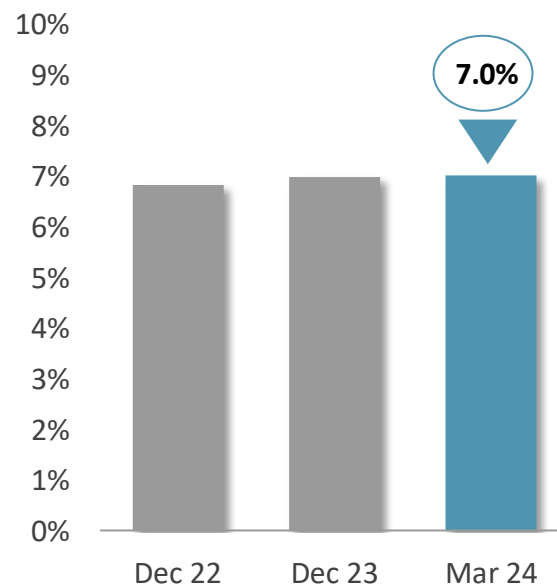
### Cash loan volume growth

PLN m



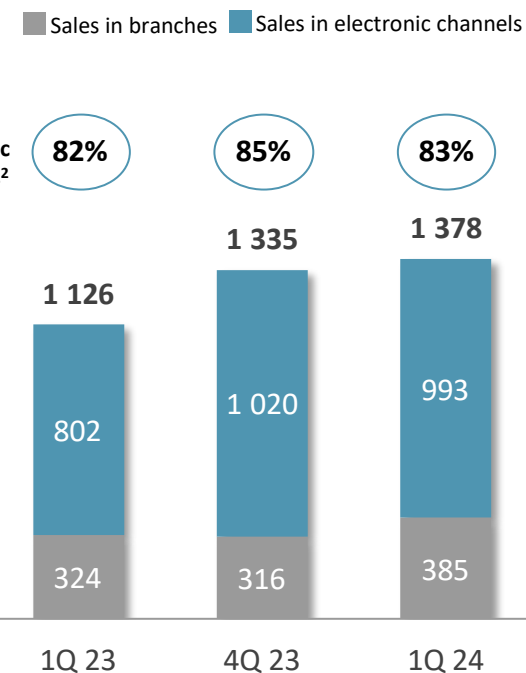
### Market share development

%



### New sales of cash loans<sup>1</sup>

PLN m



- Sales of cash loans increased by 22% y/y. Record monthly sales in March
- 83% of loan agreements concluded via electronic channels
- Launch of the next edition of loans to finance medical studies with BGK guarantee (over 3,000 signed contracts)

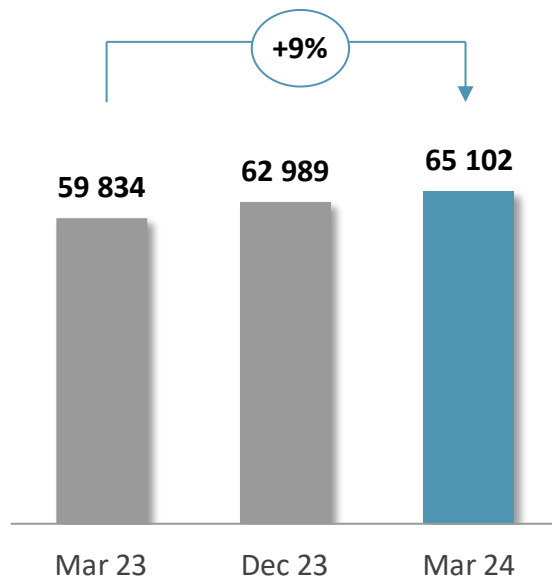
<sup>1</sup> Net sales – solely new money

<sup>2</sup> Share in number

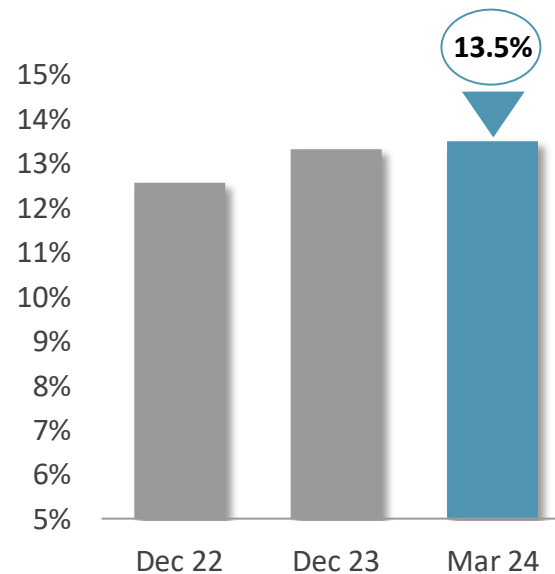


## Retail banking: Strong growth in mortgage loan sales. Growing interest in settlement program for CHF loans

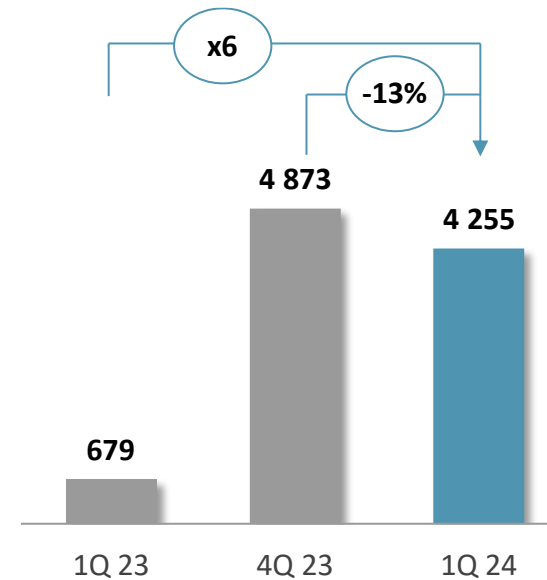
**PLN mortgage volume growth**  
PLN m



**Market share development in total mortgage**  
%



**New sales of mortgage loans**  
PLN m



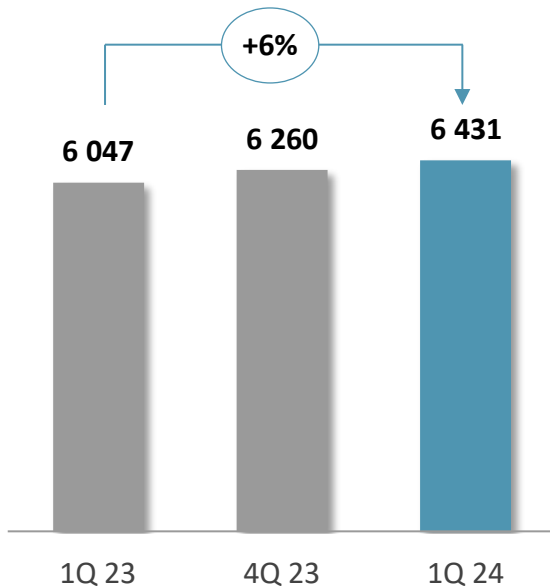
- 6-fold increase in sales of mortgage loans y/y
- Over 25 ths concluded agreements on „2% Safe Loan” for the amount of > PLN 10.3 bn (until the end of March this year)
- Over 5 ths concluded settlements under the "2% Settlement" program for people with active loans denominated in CHF. Settlement offers have already been prepared for over 70% of contracts covered by the program



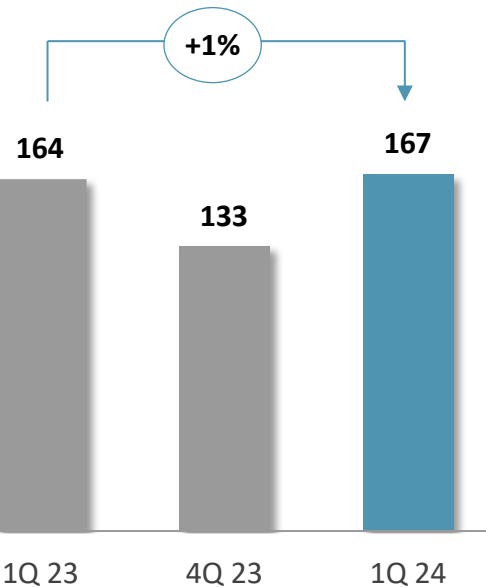
## Retail banking: Record sales of accounts and even more attractive credit card offer

### Number of individual customers ths

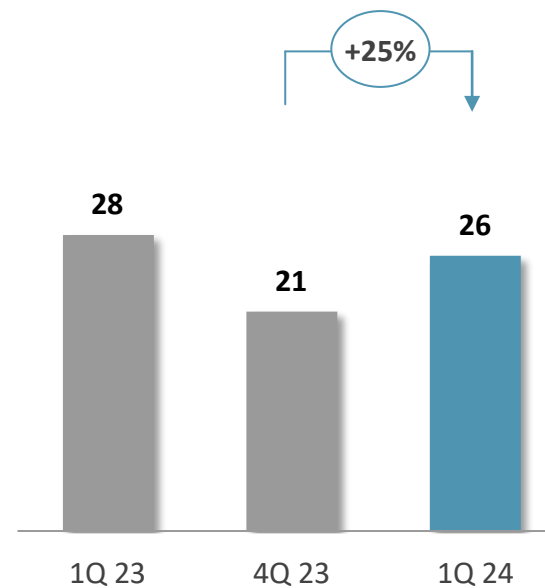
**+384 ths** Increase in number of individual customers y/y



### Current accounts: gross sales ths



### Gross sales of new credit cards ths



- 167 ths new accounts in 1Q'24 - record sales supported by TV campaign and attractive promotion on savings accounts
- Launch of Miles & More loyalty program with PLL LOT, available on Credit Cards with Wisent and selected cards from the Private Banking offer

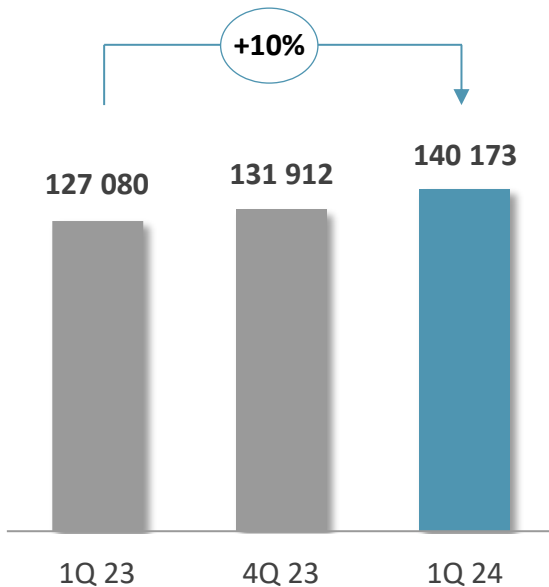




# Retail banking: Another quarter with record sales of investment products and savings accounts

## Retail deposits

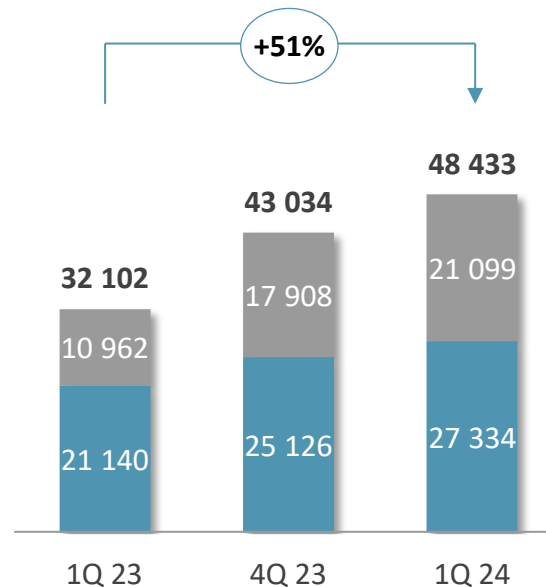
PLN m



## Investment products: AUM

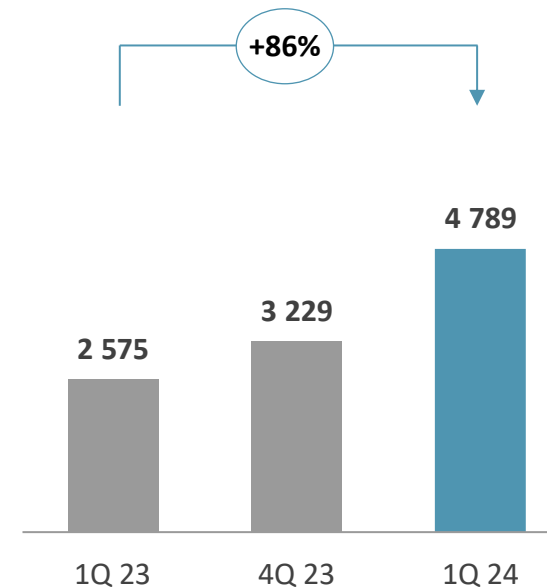
PLN m

■ Other investment products<sup>1</sup>  
■ Investment funds



## Investment products: net sales<sup>2</sup>

PLN m



- Net sales of investment products at the level of PLN 4.8 bn in 1Q'24 (+86% y/y)
- Record sales of products combining investments and deposits
- Implementation of a new product – Piggy Banks - supporting regular saving for various purposes (available in PeoPay and Pekao24)
- Over 100 ths new savings accounts (+25% y/y)

<sup>1</sup> Other investment products include structured products, bonds, insurance investment products for retail clients and Private Banking, PPK

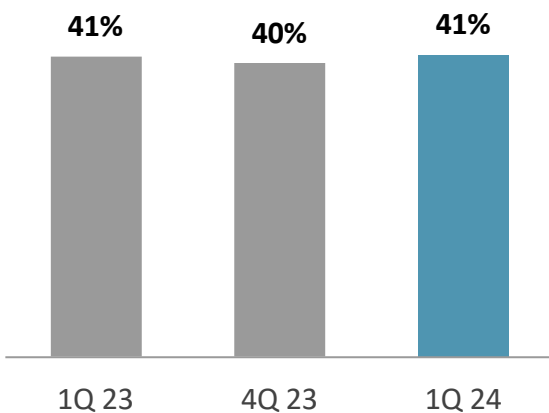
<sup>2</sup> Net sales of total investment products of Retail individual and Private customers



# Retail banking: Bancassurance and Assurbanking

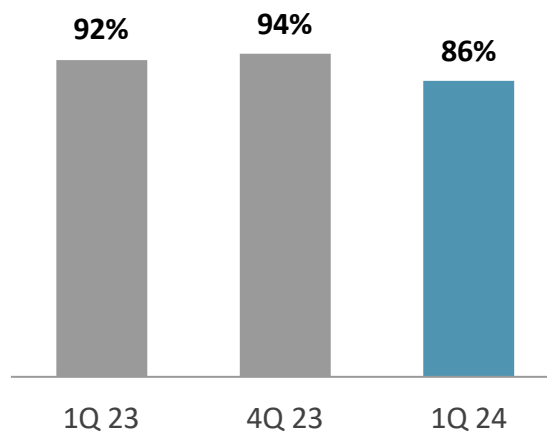
## Client insurance CPI cash loan penetration

%



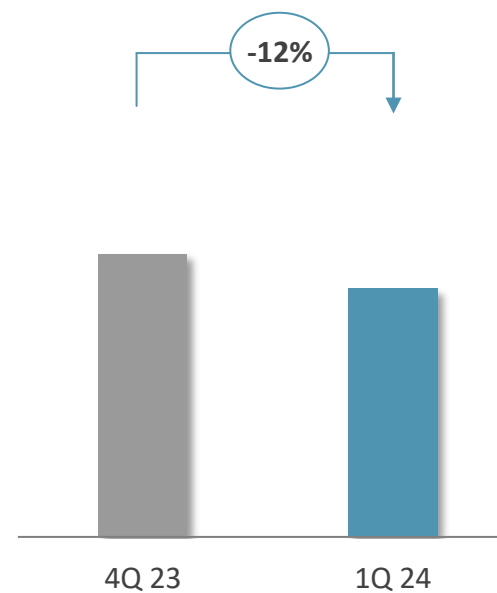
## Client insurance CPI mortgage penetration<sup>1</sup>

%



## Assurbanking: New customer acquisition<sup>2</sup>

ths



- High insurance sales results: collected insurance premiums 59% higher y/y
- High dynamics of sales of insurance unrelated to banking products:
  - Motor: 10x more policies y/y
  - Tourist: 2x more policies y/y
  - Real estate: +30% of premium collected y/y

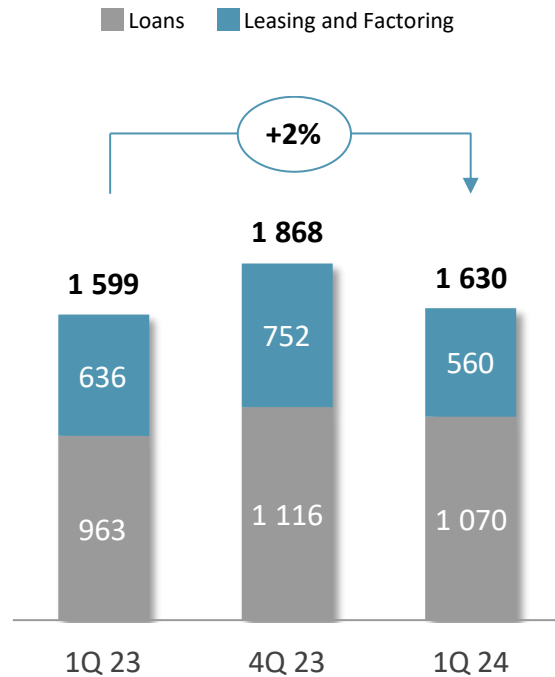
<sup>1</sup> Loans eligible to sell such insurance

<sup>2</sup> Clients acquired by Pekao thanks to cooperation with PZU

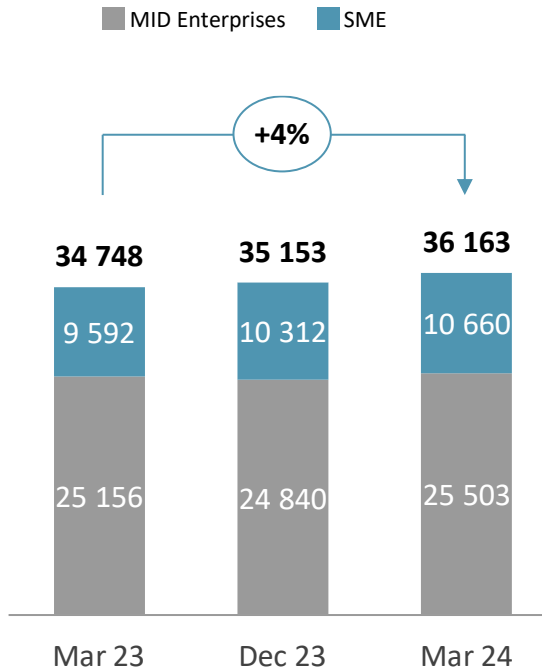


# Enterprise Banking: Financing volume dynamics +4% y/y and customer acquisition growth by 14% y/y

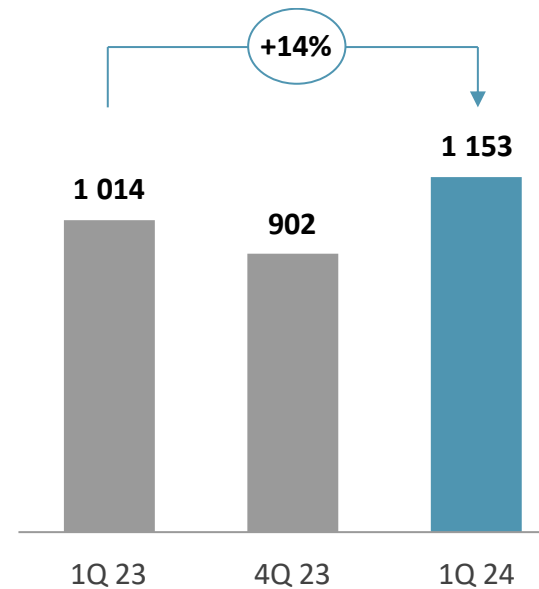
## Sales of SME financing PLN m



## Financing volumes PLN m



## Customer acquisition #



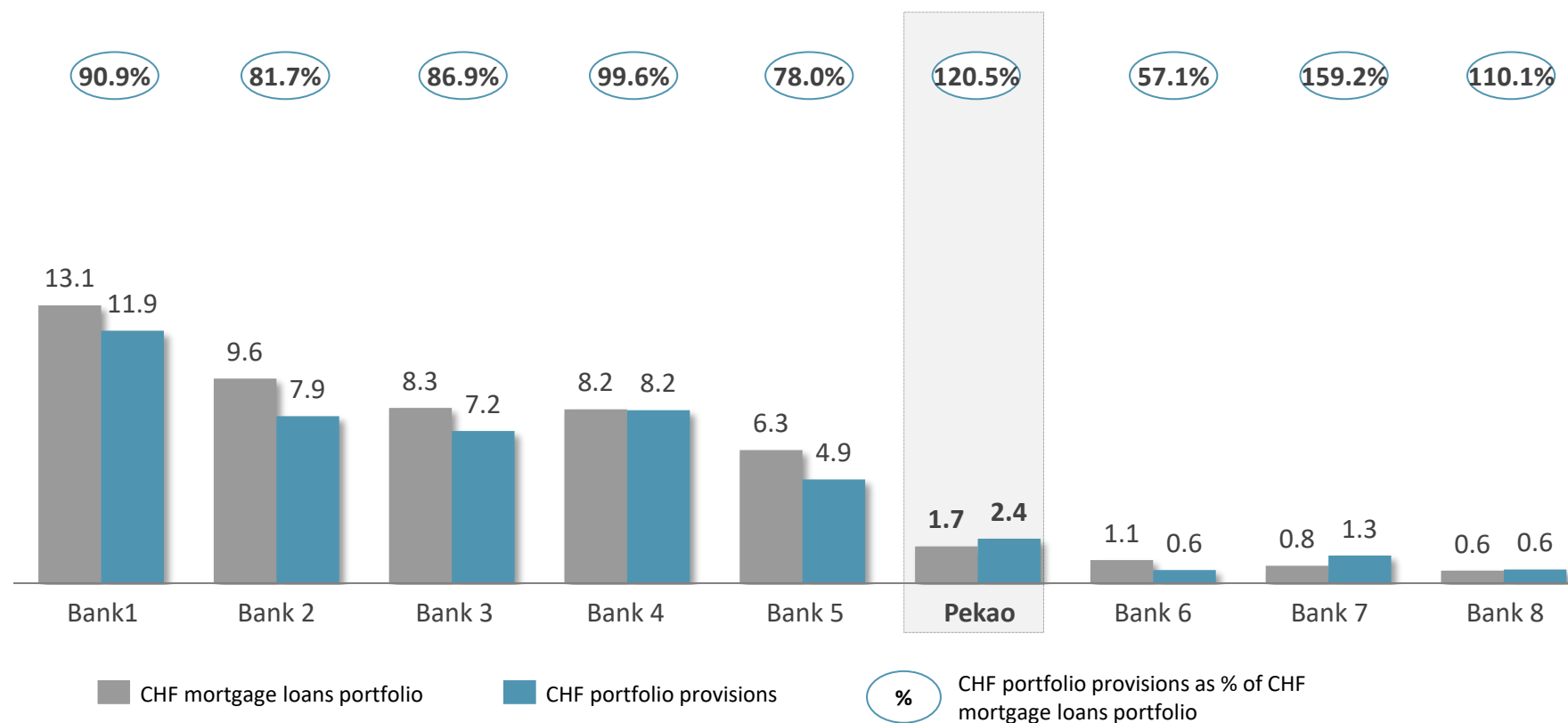
- New fast online loan process – funds disbursement in as little as half an hour
- Investment loan from Ekomax (BGK guarantee) to finance projects increasing energy efficiency
- Working capital and investment loans secured with Biznesmax Plus guarantee (new agreement with BGK)



# CHF mortgage loans portfolio and CHF portfolio provisions in Pekao compared to the market

## CHF mortgage loans portfolio and CHF portfolio provisions

PLN bn



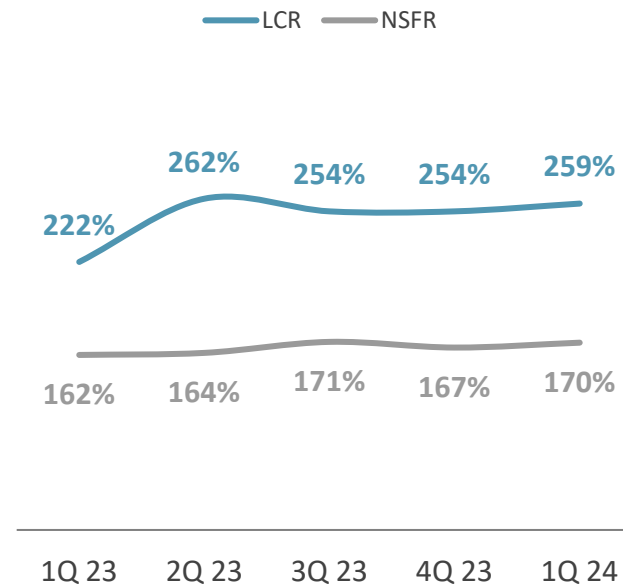
Note: CHF loan portfolio including off-balance sheet transfers. Data for Pekao as at March 31, 2024, for the sector as at December 31, 2023.  
 Source: financial statements, current reports, own calculations according to a consistent methodology



# Robust financial and liquidity position

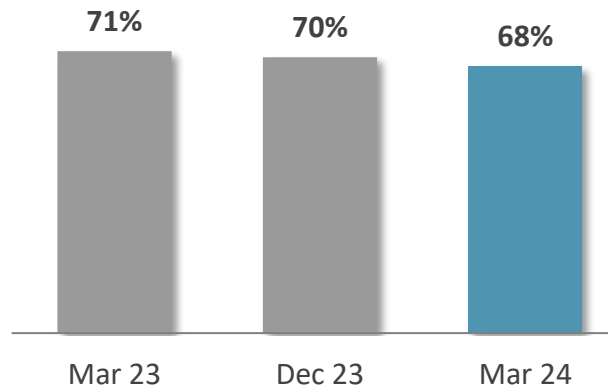
## LCR and NSFR

%



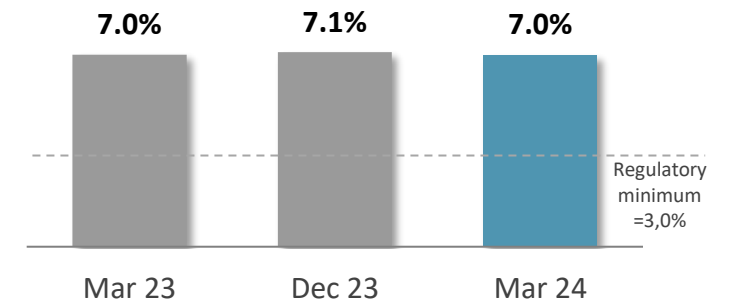
## Loans/Deposits<sup>1</sup>

%



## Leverage ratio

%



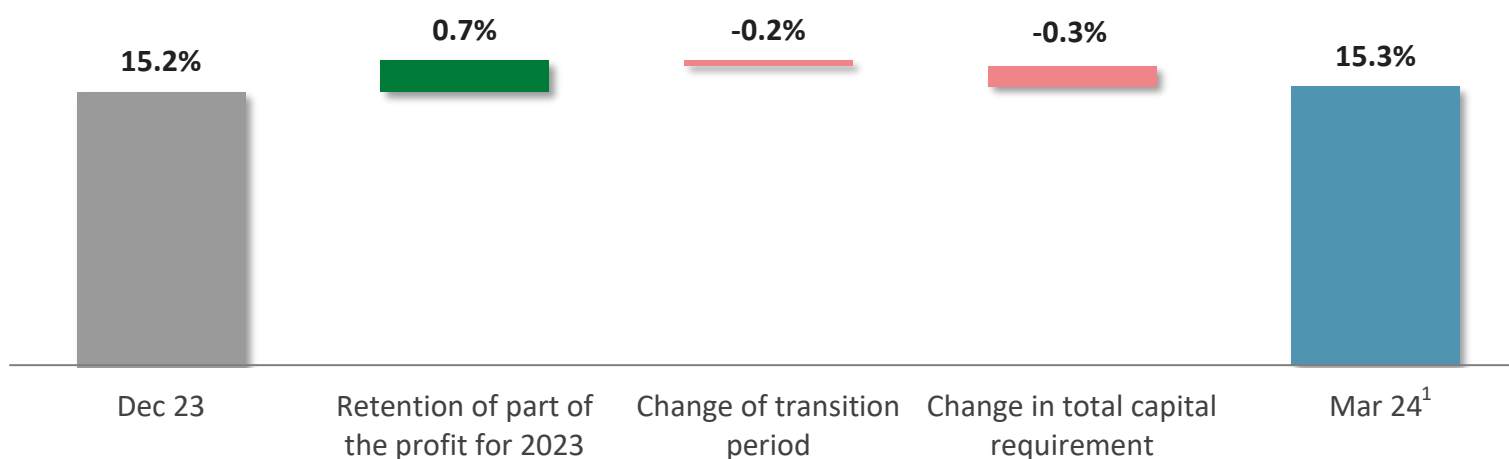
<sup>1</sup> Customer financing (excluding reverse repo transactions) / amounts due to clients, including debt securities (excluding repo transactions)



# Change in Tier 1 ratio

## Quarterly Tier 1 change

%



- 0.7 pp increase in Tier 1 ratio due to retaining part of the profit for 2023 after the AGM (together with the payment of the undivided part of the profit for 2019)
- Change in the total capital requirement mainly caused by increase in credit risk requirement as a result of increase in exposure

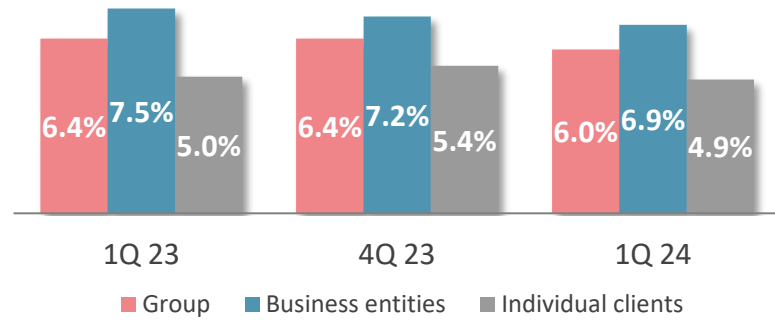
<sup>1</sup> Data including retrospective recognition of profit for 2023 after the AGM, in accordance with EBA's position expressed in Q&A 2018\_3822 and Q&A 2018\_4085



# Asset quality

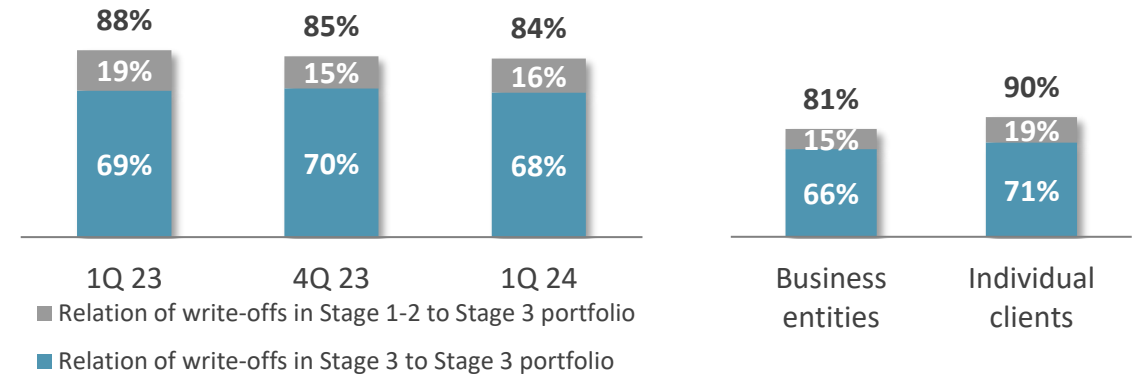
## NPL ratio

%



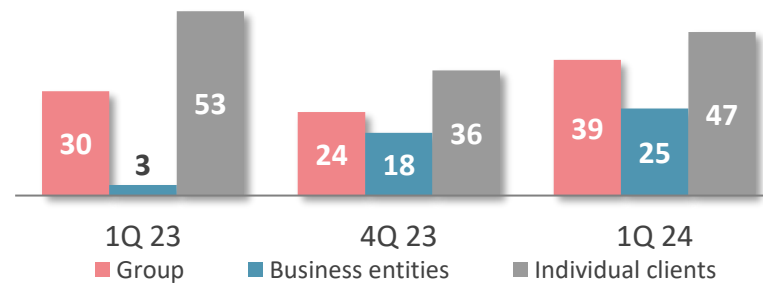
## NPL coverage

%



## Quarterly cost of credit risk<sup>1</sup>

bps



<sup>1</sup> Segment breakdown excluding ex-Idea Bank)



# Government program supporting mortgage borrowers

- ✓ **Payment moratoria 2022-2023:**
  - possibility of suspending loan instalment repayments - two months in the third and fourth quarter of 2022 and one month in each of the four quarters of 2023
  - for all mortgage borrowers who have loans in Polish zloty
  - all dates provided for in a loan agreement will be extended
  - payment moratoria will apply to the capital part as well as the interest part of the instalment

**PLN 1.9 bn**

(cost for Pekao, recognized in 3Q-4Q'22, 2Q'23 and 4Q'23 results)

- ✓ **Borrowers Support Fund:**
  - maximum support from the Borrowers Support Fund is 2,000 PLN and can be paid for up to 36 months - which gives a total of 72,000 PLN funding
  - part of the support may be cancelled
  - possibility to submit the application online
  - one need to meet one of the conditions: at least one of the borrowers is unemployed; monthly mortgage loan instalments exceed 50% of monthly income; monthly income after deducting loan instalment does not exceed: PLN 1,552/person in 1 person household or 1,200 PLN/person in multi-person households

**PLN 170 m**

(cost for Pekao, recognized in 3Q-4Q'22 results)

- ✓ **Amendment of the act on mortgage bonds and mortgage banks and some other acts (institutional protection system for commercial banks)**

**PLN 482 m**

(cost for Pekao; recognized in 2Q-3Q'22 results)

- 
- ✓ **Planned payment moratoria 2024:**
    - possibility of suspending loan installment repayments - max 4 months between June 1 and December 31, 2024
    - for mortgage borrowers who have loans in Polish zloty concluded before July 1, 2022
    - value of loan granted does not exceed PLN 1,200,000
    - for borrowers for whom the arithmetic average of the DSTI (debt service to income) ratio for the last three months preceding the month of submitting the application for suspension of loan repayment exceeds 30% or who have at least three children to support





# 2024 Outlook: Recovery at a moderate pace

## Economic outlook

	2023	2024	2025
GDP, %	0.2	3.1	4.4
Private consumption, % y/y	-1.0	4.3	4.2
Investments, % y/y	8.4	-1.1	6.4
Unemployment, % eop	5.1	4.8	4.7
CPI, % avg	11.4	3.2	4.2
3M Wibor, % eop	5.9	5.9	5.9
Reference rate, % eop	5.8	5.8	5.8
Exchange rate EUR, eop	4.6	4.3	4.3
Exchange rate USD, eop	3.9	3.9	3.8
Public sector balance, % GDP	-5.1	-5.3	-4.9

## Banking sector outlook

	2023	2024	2025
Loans, % y/y	0.0	3.3	4.0
Retail, % y/y	-0.2	3.3	5.0
Mortgage loans PLN	1.3	5.2	5.6
Consumer loans <sup>1</sup>	1.5	3.8	6.0
Corporate, % y/y	-1.7	2.5	3.8
Savings <sup>2</sup> , % y/y	0.2	9.2	11.1
Deposits, % y/y	9.6	9.4	10.1
Retail, % y/y	11.8	9.2	11.2
Corporate, % y/y	12.0	12.0	11.0

- Recovery in the Polish economy is slowly gaining momentum. Currently, its driving force is primarily increase in real wages. In the longer term, funds from the National Recovery Plan will also start to drive economic growth, but this will probably happen only in 2025.
- Credit market will grow in 2024, benefiting from the improving economic situation. Mortgage sales will be on a similar scale as last year (weak first half, stimulated by government support in the second half). Nominal savings growth will remain high as real savings are rebuilt, which have been eroded by inflation.

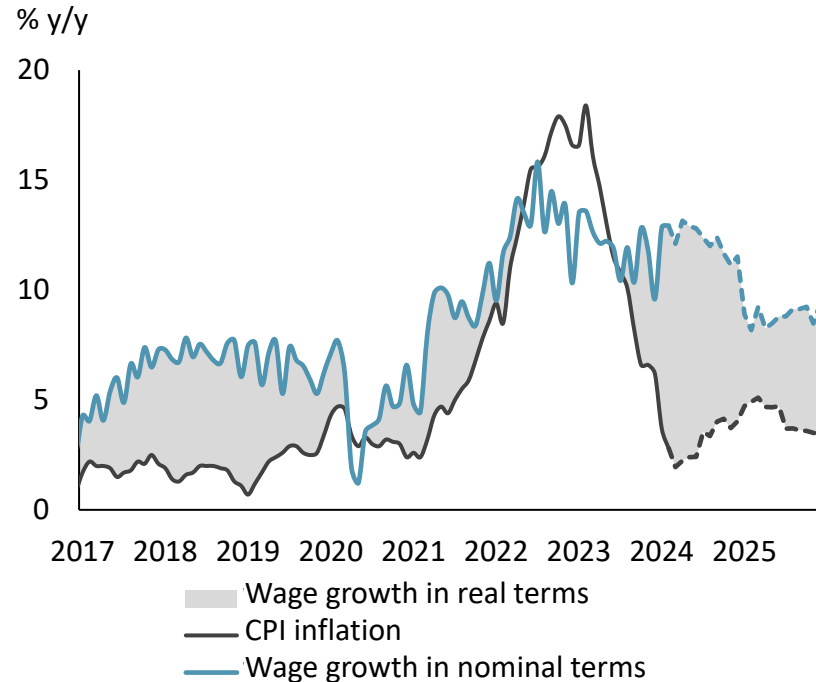
Source: Pekao Research forecasts as of April 2024

<sup>1</sup> All non-housing loans <sup>2</sup> Deposits + retail customers assets in investment funds units



# Macroeconomic backdrop: Increase in real wages will drive consumption

## Growth rate of wages and prices

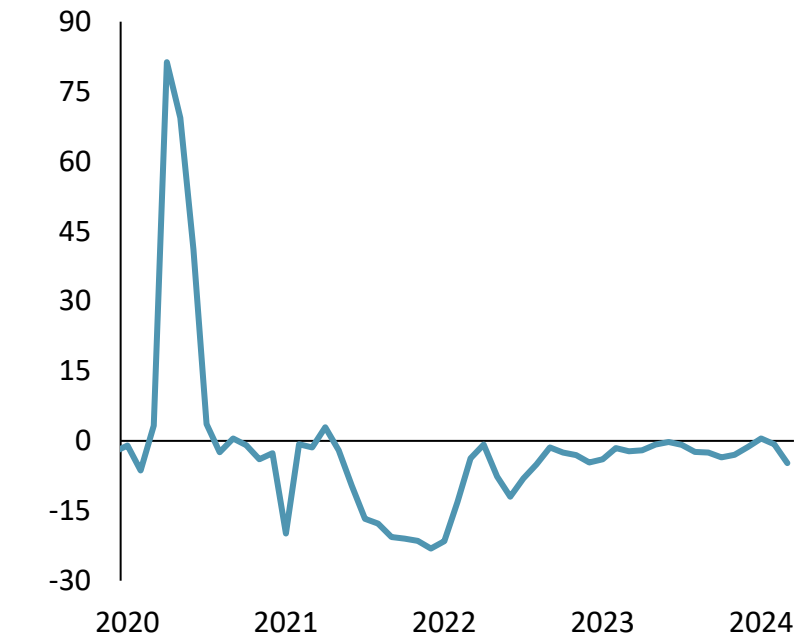


	2019	2020	2021	2022	2023	2024e	2025e
Wages (% y/y)	6.5	4.8	8.6	12.9	11.9	12.3	8.8
CPI (% y/y, avg.)	2.3	3.4	5.1	14.4	11.4	3.2	4.2

Source: Macrobond, GUS, Pekao Research

## Change in number of unemployed, m/m

thousands of people, seasonally adjusted



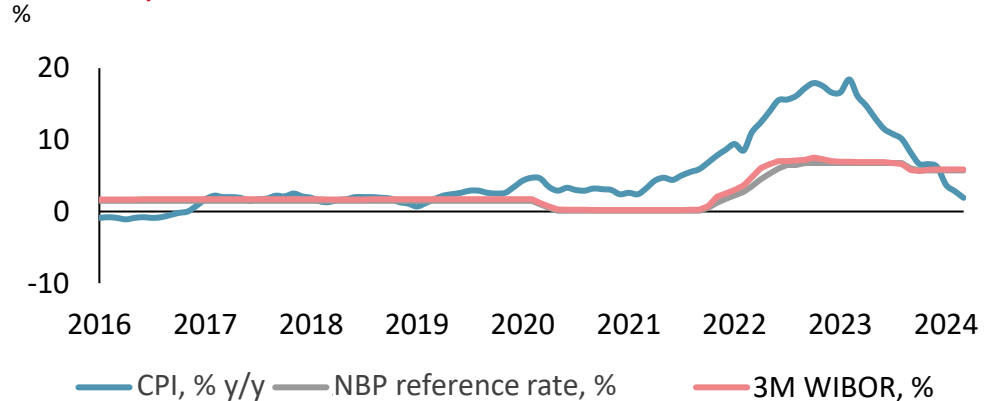
	2019	2020	2021	2022	2023	2024e	2025e
Unemployment rate (% eop)	5.2	6.8	5.8	5.2	5.1	4.8	4.7

- At the beginning of the year, growth rate of wages remained above 12%, and as a result, real wages grew at a record pace. Their deceleration will be gradual and slow, which creates a solid argument for a rebound in consumption and makes us look optimistically at the prospects for economic growth in 2024.
- Employment in the corporate sector has been in a slight downward trend for over a year, and there will be room for the indicator to rebound in the coming months. In turn, the unemployment rate increased to 5.3% due to seasonal factors, but this year it is expected to return to around 5% and below.

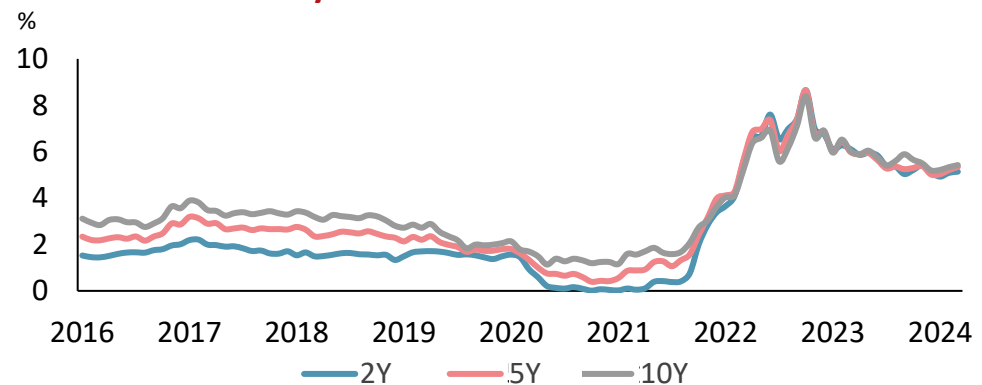


# Macroeconomic backdrop : Bottom of inflation is behind us, rates "higher for longer"

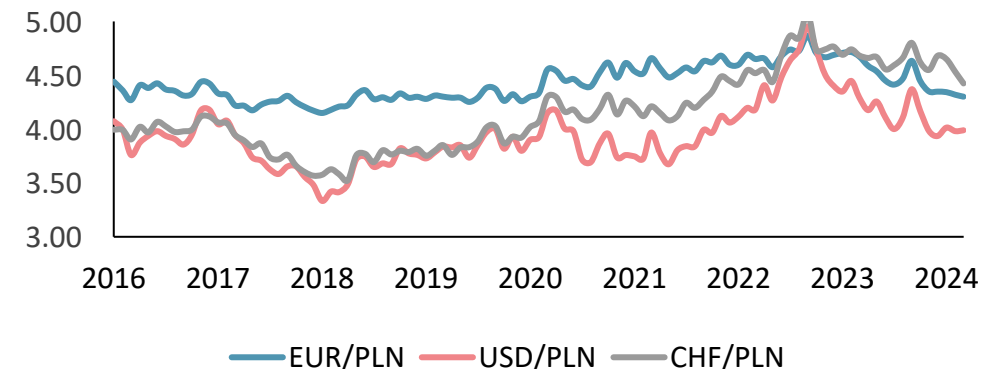
## Inflation, interest rates



## Government bond yields



## Exchange rates



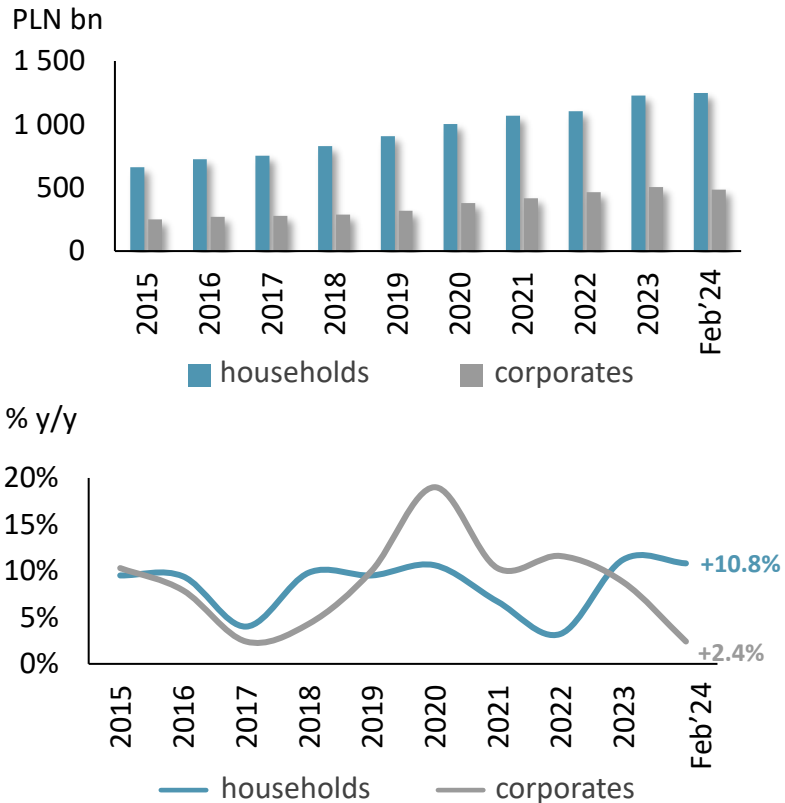
Source: NBP, GUS, Refinitiv, Pekao Research

- Disinflation is surprising in its strength and pace. In March, inflation reached this year's minimum of 2.0% y/y - less than we expected. However, the stay around the inflation target will be short-lived and will last at most until June.
- In the second half of the year, the shape of the inflation path will strongly depend on regulatory factors, primarily energy tariffs. At the end of 2024, inflation will accelerate to approximately 4% y/y, but this rebound will be based solely on non-core factors. Core inflation will continue to decline asymptotically throughout the year.
- We maintain the opinion that the NBP will not change interest rates at least until the end of 2025. MPC members perceive the current decline in inflation as temporary and are afraid - not unjustifiably - of an intensification of inflationary pressure in the second half of the year due to the growing income of the population (in real terms) and the impulse investment from NRP.



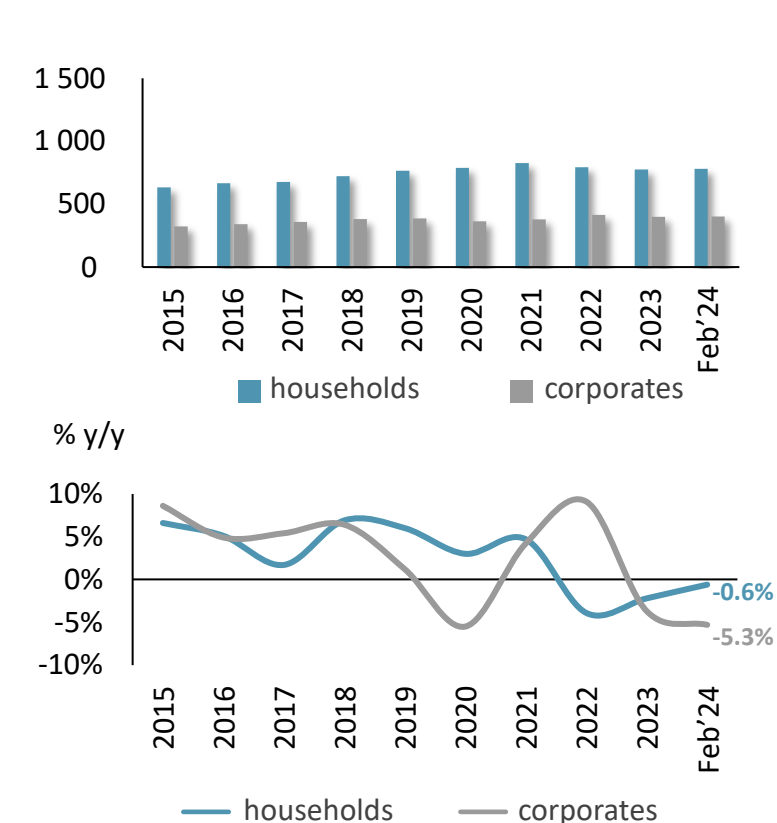
# Macroeconomic backdrop: Moderate dynamics of lending

## Loans and advances to households and institutional clients



Source: NBP

## Deposits of households and institutional clients



- Retail loans:** growing consumption resulted in annual increase in volume of consumer loans by 2.9%. PLN mortgages are also accelerating to 5.4% y/y. Strong zloty contributes to faster declines in volume of FX mortgages - hence the total dynamics of February mortgages is -1.2% y/y, and overall retail dynamics is -0.6%. Signals from 1Q'24 are ambiguous, but market seems to be heading towards positive credit dynamics in 2024.
- Corporate loans:** remain in decline with negative dynamics of working capital loans and slightly positive dynamics of investment loans.
- Deposits:** nominal retail deposits are growing - this is result of rebuilding real savings. Dynamics of corporate deposits is slowing down due to weak investments.



# Consolidated balance sheet

PLNm	Mar 23	Dec 23	Mar 24	q/q%	y/y%
Cash and cash equivalents	14 827	14 715	16 916	15,0%	14,1%
Loans and advances to banks	5 454	173	157	(9,2%)	(97,1%)
Loans and advances to customers <sup>1</sup>	166 860	171 057	173 652	1,5%	4,1%
Investment securities <sup>2</sup>	82 885	99 962	107 485	7,5%	29,7%
Intangible assets	2 236	2 396	2 392	(0,2%)	7,0%
Tangible fixed assets	1 533	1 946	1 976	1,5%	28,9%
<b>TOTAL ASSETS</b>	<b>292 628</b>	<b>305 723</b>	<b>317 369</b>	<b>3,8%</b>	<b>8,5%</b>
Amounts due to the Central Bank	0	0	0	-	-
Amounts due to other banks	7 735	7 597	6 854	(9,8%)	(11,4%)
Financial liabilities held for trading	370	757	708	(6,5%)	91,5%
Amounts due to customers	227 213	234 306	244 252	4,2%	7,5%
Debt securities issued	7 800	9 958	11 902	19,5%	52,6%
Subordinated liabilities	2 851	2 781	2 830	1,8%	(0,7%)
Other	21 503	19 983	19 140	(4,2%)	(11,0%)
<b>Total liabilities</b>	<b>267 472</b>	<b>275 382</b>	<b>285 686</b>	<b>3,7%</b>	<b>6,8%</b>
<b>Total equity</b>	<b>25 157</b>	<b>30 341</b>	<b>31 683</b>	<b>4,4%</b>	<b>25,9%</b>

<sup>1</sup> Including loans and advances from customers, receivables from finance leases and non-treasury debt securities <sup>2</sup> Excluding non-treasury debt securities



# Consolidated income statement

PLNm	1Q 23	4Q 23	1Q 24	q/q%	y/y%
Net interest income <sup>1</sup>	2 774	3 133	3 088	(1,4%)	11,3%
Net fee and commission	662	733	668	(8,9%)	0,9%
<b>Operating income</b>	<b>3 531</b>	<b>3 633</b>	<b>3 762</b>	<b>3,6%</b>	<b>6,5%</b>
<b>Operating costs<sup>2</sup></b>	<b>(1 106)</b>	<b>(1 209)</b>	<b>(1 238)</b>	<b>2,4%</b>	<b>11,9%</b>
Personnel cost	(614)	(725)	(733)	1,1%	19,4%
Non-personnel cost & depreciation	(492)	(484)	(505)	4,3%	2,6%
<b>OPERATING PROFIT</b>	<b>2 425</b>	<b>2 424</b>	<b>2 524</b>	<b>4,1%</b>	<b>4,1%</b>
Provisions	(105)	4	(108)	-	2,9%
Guarantee funds charges	(192)	0	(239)	-	-
Banking tax	(219)	(220)	(223)	1,4%	1,8%
<b>PROFIT BEFORE INCOME TAX</b>	<b>1 910</b>	<b>2 210</b>	<b>1 956</b>	<b>(11,5%)</b>	<b>2,4%</b>
Income tax	(464)	(487)	(441)	(9,4%)	(5,0%)
<b>GROUP NET INCOME<sup>3</sup></b>	<b>1 446</b>	<b>1 723</b>	<b>1 514</b>	<b>(12,1%)</b>	<b>4,7%</b>

<sup>1</sup> NII excl. dividends and other income from equity investments <sup>2</sup> Costs excl. guarantee funds charges and regulator and incl. FSA <sup>3</sup> Net profit attributable to equity holders of the Bank

Note: Data as reported



# Key performance indicators

	1Q 23	4Q 23	1Q 24	q/q net	y/y net
ROE (%)	24,2%	23,5%	19,6%	-3,97	-4,59
ROA (%)	2,0%	2,2%	1,9%	-0,30	-0,06
NIM (%)	4,15%	4,22%	4,17%	-0,05	0,03
L/D (%)	71,4%	69,9%	67,6%	-2,30	-3,77
Cost/Income Ratio (%)	31,3%	33,3%	32,9%	-0,37	1,59
Cost/Income Ratio inc. BGF&IPS (%)	36,7%	33,3%	39,3%	5,98	2,52
Cost of Risk (%)	0,24%	-0,01%	0,24%	0,25	0,00
TCR	17,6%	17,5%	16,9%	-0,60	-0,70
Tier 1	15,7%	15,2%	15,4%	0,20	-0,30



# Selected data

Bank	Mar 23	Dec 23	Mar 24	q/q%	y/y%
Outlets	587	574	572	(0,3%)	(2,6%)
ATM's	1 314	1 306	1 300	(0,5%)	(1,1%)
Employees	12 553	12 689	12 721	0,3%	1,3%
No of PLN current accounts (ths) <sup>1</sup>	7 590	7 978	8 184	2,6%	7,8%
No of mortgage loan accounts (ths) <sup>2</sup>	366	366	365	(0,4%)	(0,2%)
No of clients holding a consumer loan accounts (ths) <sup>3</sup>	567	584	578	(1,0%)	1,9%
Number of individuals active users electronic banking Pekao24 (ths) <sup>4</sup>	3 444	3 635	3 723	2,4%	8,1%
Number of individuals with an access to mobile banking (ths) <sup>4</sup>	5 002	5 064	5 184	2,4%	3,6%
Group	Mar 23	Dec 23	Mar 24	q/q%	y/y%
Employees	14 834	15 129	15 200	0,5%	2,5%
Number of MF accounts (ths)	691	758	773	2,0%	11,9%
Number of Brokerage accounts (ths)	206	205	206	0,2%	0,0%

<sup>1</sup>Number of accounts including pre-paid card accounts <sup>2</sup>Retail clients' accounts

<sup>3</sup>Pożyczka Ekspresowa (Express Loan) <sup>4</sup>Including individuals and micro companies





# Activity by segments

## Bank Pekao Group level – incl. subsidiaries

PLNm	Retail Banking			Private Banking			Corporate&Investment Banking			Enterprise Banking			Assets&Liabilities Management & Others			Group		
	1Q 23	1Q 24	y/y%	1Q 23	1Q 24	y/y%	1Q 23	1Q 24	y/y%	1Q 23	1Q 24	y/y%	1Q 23	1Q 24	y/y%	1Q 23	1Q 24	y/y%
Net interest income	1 623	1 686	3,9%	84	72	(14,3%)	519	488	(6,0%)	407	440	8,1%	141	402	185,1%	2 774	3 088	11,3%
Non-interest income	199	167	(16,1%)	35	41	17,1%	232	224	(3,4%)	186	186	0,0%	105	56	(46,7%)	757	674	(11,0%)
<b>Operating income</b>	<b>1 822</b>	<b>1 853</b>	<b>1,7%</b>	<b>119</b>	<b>113</b>	<b>(5,0%)</b>	<b>751</b>	<b>712</b>	<b>(5,2%)</b>	<b>593</b>	<b>626</b>	<b>5,6%</b>	<b>246</b>	<b>458</b>	<b>86,2%</b>	<b>3 531</b>	<b>3 762</b>	<b>6,5%</b>
<b>Operating costs <sup>1</sup></b>	<b>(728)</b>	<b>(809)</b>	<b>11,1%</b>	<b>(41)</b>	<b>(48)</b>	<b>17,1%</b>	<b>(153)</b>	<b>(179)</b>	<b>17,0%</b>	<b>(151)</b>	<b>(184)</b>	<b>21,9%</b>	<b>(33)</b>	<b>(18)</b>	<b>(45,5%)</b>	<b>(1 106)</b>	<b>(1 238)</b>	<b>11,9%</b>
<b>OPERATING PROFIT</b>	<b>1 094</b>	<b>1 044</b>	<b>(4,6%)</b>	<b>78</b>	<b>65</b>	<b>(16,7%)</b>	<b>598</b>	<b>533</b>	<b>(10,9%)</b>	<b>442</b>	<b>442</b>	<b>0,0%</b>	<b>213</b>	<b>440</b>	<b>106,6%</b>	<b>2 425</b>	<b>2 524</b>	<b>4,1%</b>
Net write-downs/provision	(88)	(46)	(47,7%)	1	0	-	(5)	(37)	640,0%	12	(5)	(141,7%)	(25)	(20)	(20,0%)	(105)	(108)	2,9%
Guarantee funds charges	(36)	(36)	0,0%	0	0	-	(24)	(23)	(4,2%)	(11)	(11)	0,0%	(121)	(169)	39,7%	(192)	(239)	24,5%
Banking tax	(82)	(88)	7,3%	0	0	-	(64)	(62)	(3,1%)	(28)	(28)	0,0%	(45)	(45)	0,0%	(219)	(223)	1,8%
<b>PROFIT BEFORE INCOME TAX</b>	<b>888</b>	<b>874</b>	<b>(1,6%)</b>	<b>79</b>	<b>65</b>	<b>(17,7%)</b>	<b>505</b>	<b>411</b>	<b>(18,6%)</b>	<b>415</b>	<b>398</b>	<b>(4,1%)</b>	<b>23</b>	<b>208</b>	<b>804,3%</b>	<b>1 910</b>	<b>1 956</b>	<b>2,4%</b>

<sup>1</sup> Operating costs excluding guarantee funds charges, fee paid for the Protection Schemes, fee paid for the Borrowers Support Fund

Note: Data for Pekao Group. Income statement consistent with presentation version



# Group net profit structure

PLNm		Group's share in capital %	1Q 23	1Q 24	y/y%
<b>Bank Pekao S.A.</b>	<b>Banking - Poland</b>		<b>1 374</b>	<b>1 579</b>	<b>14,9%</b>
<b>Entities - consolidated under full method</b>			<b>66</b>	<b>69</b>	<b>4,5%</b>
of which:					
Pekao Investment Management S.A.	Mutual Funds	100%	21	26	
Pekao Leasing Sp. z o.o.	Leasing	100%	22	23	
Pekao Faktoring Sp. z o.o.	Insurance	100%	13	7	
Pekao Bank Hipoteczny S.A.	Brokerage	100%	2	4	
PEUF Sp. z o.o.	Servicing MF/PF	100%	2	3	
Pekao Financial Services Sp. z o.o.	Business consulting	66,5%	2	3	
Centrum Kart S.A.	Real estate development	100%	1	3	
Pekao Direct Sp. z o.o.	Call Centre	100%	2	2	
Pekao Property S.A. in liquidation	Factoring	100%	0	0	
Pekao Fundusz Kapitałowy Sp. z o.o. in liquidation	Cards	100%	0	0	
FPB "MEDIA" Sp. z o.o. in bankructcy	Real estate development	100%	0	0	
Pekao Investment Banking S.A.	Mortgage Bank	100%	0	(2)	
<b>Entities valued under the equity method - associates</b>			<b>1</b>	<b>2</b>	
Krajowy Integrator Płatności S.A.	Financial intermediary	38,3%	1	2	
<b>Exclusions and consolidation adjustments</b>			<b>6</b>	<b>(136)</b>	<b>-2366,7%</b>
<b>Group Net Profit</b>			<b>1 446</b>	<b>1 514</b>	<b>4,7%</b>



# Breakdown of customer financing

PLNm	Mar 23	Dec 23	Mar 24	q/q%	y/y%
<b>Loans<sup>1</sup></b>	<b>164 639</b>	<b>167 567</b>	<b>169 761</b>	1,3%	3,1%
retail	75 703	80 034	<b>81 986</b>	2,4%	8,3%
corporate	88 936	87 532	<b>87 775</b>	0,3%	(1,3%)
Non-treasury debt securities	10 050	11 248	<b>11 034</b>	(1,9%)	9,8%
Other	2 136	2 039	<b>2 121</b>	4,0%	(0,7%)
Impairment losses	(9 965)	(9 797)	<b>(9 264)</b>	(5,4%)	(7,0%)
<b>Net loans and advances</b>	<b>166 860</b>	<b>171 057</b>	<b>173 652</b>	1,5%	4,1%
<b>TOTAL CUSTOMERS' FINANCING<sup>2</sup></b>	<b>174 689</b>	<b>178 815</b>	<b>180 795</b>	1,1%	3,5%

<sup>1</sup>Including debt securities eligible for rediscounting at Central Bank, net investments in financial leases to customers

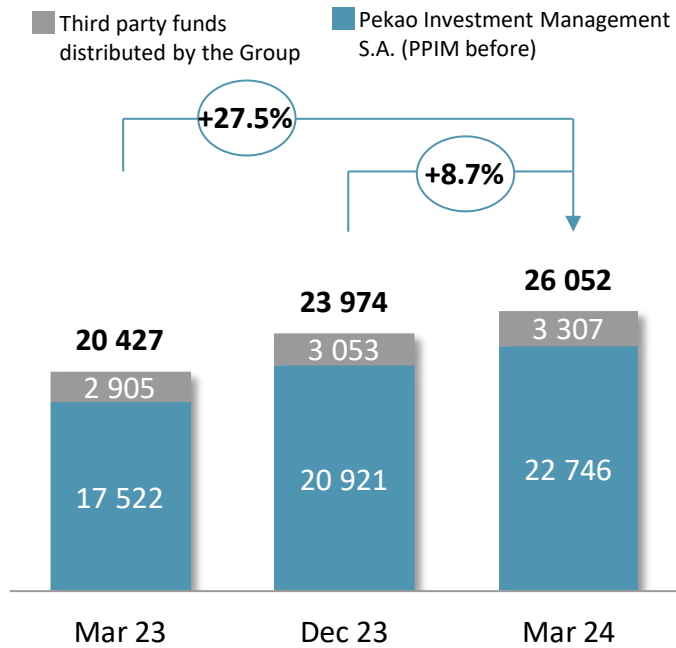
<sup>2</sup>Total customers' financing includes loans and advances at nominal value



# Mutual Funds distributed by the Group

## Mutual funds - volumes

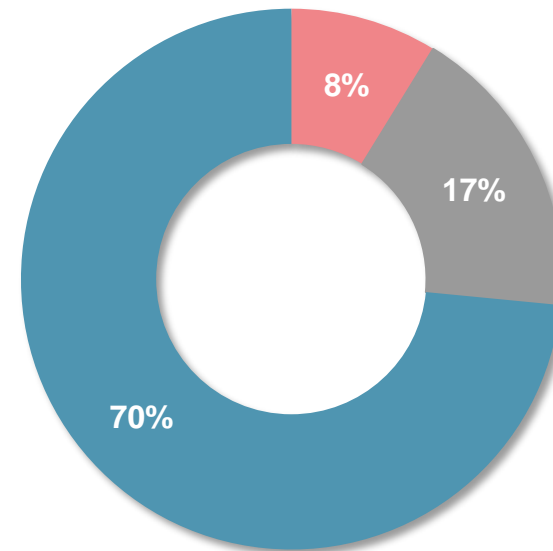
PLN m



## Pekao Investment Management S.A.

%

Equity funds Balance funds Money and bonds funds





# Ratings of Bank Pekao S.A.

31.03.2024

	PEKAO	POLAND
<b>FITCH RATINGS</b>		
Long-term rating (IDR)	BBB	A-
Short-term rating	F2	F1
Viability rating	bbb	-
<b>Outlook</b>	<b>Stable</b>	<b>Stable</b>

	PEKAO	POLAND
<b>S&amp;P GLOBAL RATINGS</b>		
Long-term rating	BBB+	A-
Short-term rating	A-2	A-2
Stand-alone	bbb+	-
<b>Outlook</b>	<b>Positive</b>	<b>Stable</b>

	PEKAO	POLAND
<b>MOODY'S INVESTORS SERVICE LTD (unsolicited rating)</b>		
Long-term foreign-currency deposit rating	A2	A2
Short-term deposit rating	Prime-1	Prime-1
BCA	baa2	-
<b>Outlook</b>	<b>Stable</b>	<b>Stable</b>

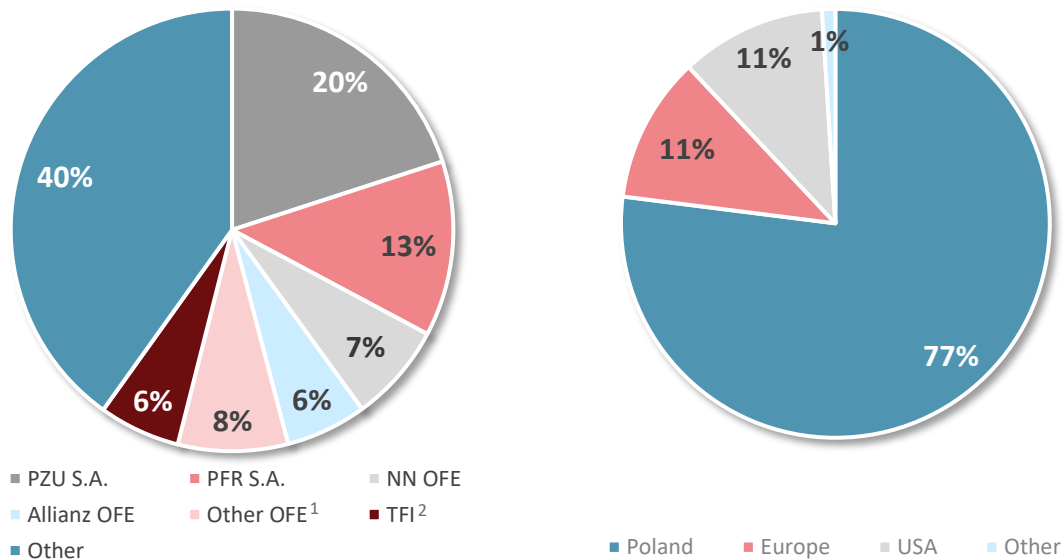
## ESG RATINGS

Institution	ESG Rating
MSCI	BBB
FTSE4Good Russell	3.1
Sustainalytics	23.4 Medium risk
Bloomberg Gender Equality Index	79.9/100
Moody's Analytics	49/100
CDP	C
WIG-ESG	Share in index: 6.0%



# Shareholders: Diversified shareholder base

## Shareholding structure



PZU Group is the largest financial group in CEE

~470 bn PLN of assets under management. More than 22 million clients in 5 countries



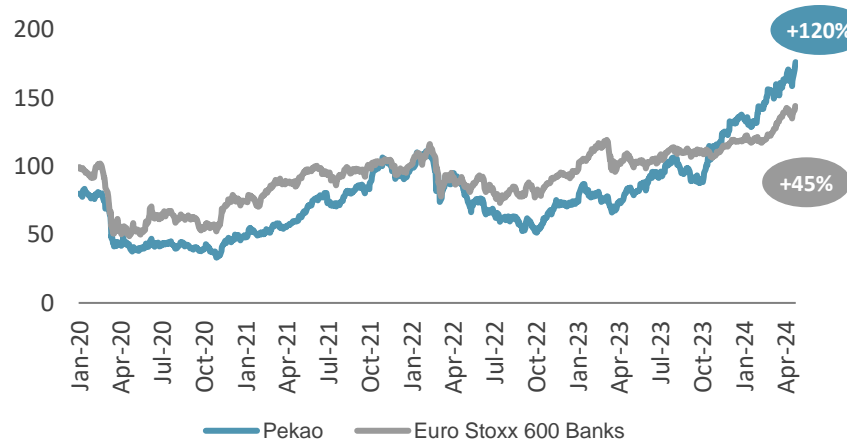
The Polish Development Fund (PFR) is a group of financial and advisory institutions supporting companies, local governments and individuals

<sup>1</sup> Source: Polish Pension Funds annual reports dated 31st of December 2023 <sup>2</sup> Source: Anality online, as of 30th of June 2023 <sup>3</sup> Bloomberg as of 24th of April 2024

## Listing and valuation

- The second largest bank in terms of assets (PLN 317 bn) and third largest bank in Poland in terms of market capitalization (PLN 46 bn)
- Member of several local and global indices: WIG Banki, WIG 20, WIG 30, WIG ESG, MSCI Emerging Markets, STOXX Europe 600 Index, FTSE Developed Equity Index, FTSE4Good, Bloomberg Gender-Equality Index
- Reliable dividend payer: PLN 17 bn dividend paid out over last decade
- P/BV'24: 1.5x, P/E'24: 7.8x<sup>3</sup>

## TSR Performance vs. sector<sup>3</sup> (%)



ISIN: PLPEKAO00016  
Bloomberg: PEO.PW  
Reuters: PEO.WA



# Investor Relations Team: Contact and calendar

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## FINANCIAL CALENDAR

22 February 2024

Annual Report 2023  
and Webcasting

30 April 2024

First Quarter Report  
and Webcasting

8 August 2024

Semi-annual Report  
and Webcasting

7 November 2024

Third Quarter Report  
and Webcasting

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