

Responsible Bank. Modern banking

Bank Pekao Strategy 2021-2024



**What kind of bank
will we be?**





What kind of bank will we be?



Bank Pekao

Responsible Bank.
Modern banking

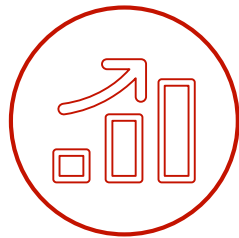


- We will be a **universal bank of first choice** for our customers
- We will develop **remote** distribution and customer service **model**
- We will focus on **cost and process efficiency**
- We will grow in **most profitable market segments**



Our strategic goal is to increase profitability and efficiency through swift digitisation

Bank Pekao strategic goals by 2024



~ 10%

ROE

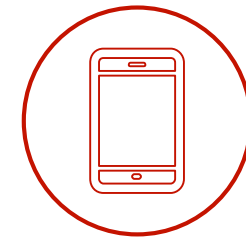
(4.5% in 2020)



42%

C/I

(49% in 2020)



3.2 m

Active mobile banking customers

(2 m as of 2020)



We will focus on banking in remote channels and we will strive to enable our clients to handle almost every matter online

Banking with PeoPay



Aspiration 2024

~ 100%

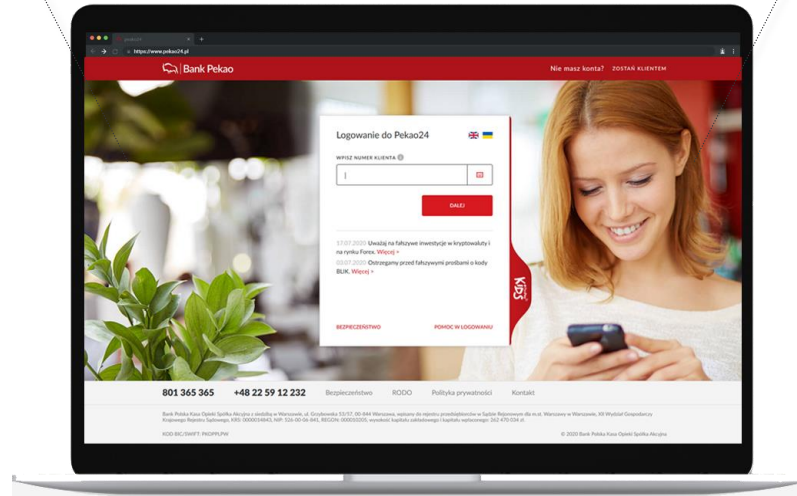
Digitisation
rate



Process excellence will be our priority

Client

- Fast and convenient service
- Offer tailored to needs
- Satisfaction with banking with Pekao



Bank Pekao

- Efficient processes
- Automation and digitisation
- Agile organization

Process excellence



We will grow in the most profitable market segments

Increase in Bank Pekao market share as measured by NBI by 2024



Cash loans

~10%

+ 3 pp

(2024 vs 2020)



Microbusiness

~8%

+ 3 pp

(2024 vs 2020)



SME

~12%

+2 pp

(2024 vs 2020)



MID enterprises

~19%

+4 pp

(2024 vs 2020)

Changes in market environment





Changes in market environment require accelerated business model evolution, while efficiency improvement requires technology investment and increased scale

Sector phenomena

0.10 pp
vs 1.50 pp
in 2019

Record low interest rates

3x growth
of provisions for
legal risks of FX
mortgages vs
2019

Provisions growth
(covid, CHF)

8.4 m
mobile only
customers +30%
vs 2019

Digital acceleration
Customer preferences
following lifestyle changes

Challenges for banks

ROE¹
~4%
2020 vs
10%¹ in 2019

Profitability
(below cost of capital)

Efficiency and digitisation
(necessary investments)



Being ahead of customer expectations – mobile banking, being attractive for young customers

Strategic implications



Pressure for increased scale,
which justifies:

- Income economics
- Processes efficiency
- Profitability of IT investments



Accelerated evolution of customer service model,
supporting

- Customer satisfaction
- Cost and operations efficiency

(1) TOP8 banks (excl. one-off events)

Our starting point





For last 3 years we have been successfully conducting digital and operational transformation

Transformation milestones 2018-2020

2017/2018 Mobile Strategy



PeoPay 2.0



2018/2019 Omnichannel, API and payments leader

Omnichannel



Remote sales



Mobile payments



Pekao Open API Platform

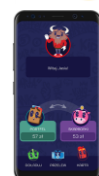


2019/2020 New online and mobile channels

PeoPay 3.0



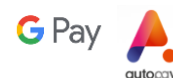
KIDS



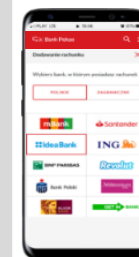
New online and mobile banking



Mobile payments



2020/2021 Open banking, VAS and Personal Assistant



#TPP
#AI
#API
#VAS
#BIGDATA
#PERSONAL

Quick payments for
Microbusinesses
and SMEs



Active mobile users
(2020 vs 2018)

1.6x

PeoPay transactions value
(2020 vs 2018)

16x

Parallel operational transformation








Today we are strong, large and resilient bank but we are aware of challenges ahead

Competitive advantages

	~5.5 m customers	#2 largest individual customers base
	~17% in sector mortgages NBI	Top 3 in mortgages
	~23% in sector corporate NBI	Large corporates leader
	16.7% Tier1 ratio	Strong (top3) capital position >10 bn of capital surplus
	~2x lower CoR vs top8 competitors 2017-20	Leading market expertise in risk management

Potential for growth

	~40% customers above the age of 55	Unfavourable customer demographics
	~7% in sector consumer loans NBI	Untapped potential in consumer finance
	>5% in sector NBI	Market share in microbusiness below fair share
	~7% in SME lending NBI	SME and MID loans growth
	#7 C/I (excl. BGF) vs top8 banks	Efficiency improvement potential



Pillars of the Bank's development for 2021-2024





We will implement the strategy in 4 pillars, supported by the evolution of the organizational culture

- **Personalization** of relations and offering
- **Mobile first**
- **Innovations**

- **Responsible risk management**
- Support for **sustainable** economic and social **development**



- Growth in the most **profitable** and **promising** segments
- Cooperation with **PZU**

- Migration of processes to **digital channels**
- New integrated **distribution model**

Engaged employees: cooperation, entrepreneurship, innovation



Listening to the voice of customers, we will be focused on providing services that fully meet their needs

Strategy pillar

Strategic directions



We will build **client-centric culture** and be a bank of **first relation** for our customers



We will design **mobile services** by transferring sales and increasing customer satisfaction in digital channels



Due to **personalisation**, we will meet the needs of our clients faster and more accurately



We want customers to appreciate and recommend us

Increasing organizational efficiency and customer-oriented culture



We will improve UX and simplify processes
- we will offer convenient solutions



We will improve customer journey
in bank branches

We will strengthen the offer
of value-added services (VAS)



We will strengthen relationships
with clients using knowledge
of the client's profile and industry



We will work in agile
teams to respond faster
and more accurately to
customer needs

We will engage clients in design
and implementation of services



We will increase availability
of services in mobile and online
channels in all segments



We will optimize structures and strengthen culture and competences of employees
towards customer-oriented thinking - a new work model

Aspiration 2024



Significant
improvement
in customer
satisfaction rankings



PeoPay will be the main contact and sales channel

We will increase the share of sales and the scope of service in mobile banking



A market-leading mobile application
based on automated sales and service processes



Cash lending and full self-service supported
by chatbot and voicebot solutions



Mobile investment and insurance products



New value added services (VAS) based on open banking



Modern services supporting application security
and finance management (BIOPAY, PFM 2.0)

Aspiration 2024

Active mobile customers
to CA number **> 60%**



Cash loan sales
in remote channels **~ 75%**

NPS
in remote
channels **Top 3**



Personalization and the foundations of the data-centric institution will allow us to better match the offer to the needs, profile, time and context of the client

New infrastructural foundations will increase our business capabilities



Taking advantage of new technology...

We will build systemic approach to **data quality management**

We will build new infrastructure (**Data Lake**) and new CRM with **real-time** engine

We will strengthen **competences** of data **analytics**



...we will introduce advanced personalization

We will use **behavioural micro segmentation** in marketing and sales campaigns

We will identify **high potential customers** thanks to advanced analytics

We will implement optimal management of **pre-approved offering**

Aspiration 2024

+ ~20%

**Revenue
per individual client
growth**



We will grow in the most profitable and prospective segments and strengthen business synergies with PZU

Strategy pillar

Strategic directions



We will focus on dynamic growth in the **most profitable market segments**



We will rejuvenate our customer base and enter **e-commerce** market



We will monetise our unique relation with **PZU**



We will be the bank of first choice for individual clients and strengthen our position in the microbusiness segment



Individual clients

- Acquisition and onboarding of clients to **PeoPay**
- **New CRM** as an engine driving customer relationship management and migration to remote channels
- **Cash loans** and **installment loans** in remote channels
- A new **mortgage factory**



CA acquisition

>400 k

(annually)

Cash loan sales
in remote channels

~4 x

(2024 vs 2020)



Microbusiness

- Acquisition in **digital channels** - selfie account and online company
- **Process simplifications pave the way** to build efficiency and increase credit penetration through a **new credit process**
- Development of **leasing and factoring for micro-companies**
- **A wide range of** online financial management **services**



Clients acquisition

>40 k

(annually)

Lending origination

~4 x

(2024 vs 2020)



Our priority will be to rapidly strengthen our position in a group of young clients

We will strengthen our value proposition for customers under the age of 26

Young customers



We will enhance the offer with **dedicated credit products** for young clients



We will invigorate the image of Pekao as an institution responding to the **needs of young customers**



We will be active on-line and launch a referral program for young clients

Youngest customers



We will use the best banking application **PeoPay KIDS for the youngest** on the market



We will strengthen the offer of **family banking** services



We will maintain our commitment to **financial education for the youngest**

Aspiration 2024

> **600** k



Cumulated acquisition of customers < 26 y.o. in years 2021-24



We will soundly strengthen our presence on the e-commerce market

We will prepare new value proposition for e-commerce

Individual clients



E-installments – we will launch offer of **installment loans available on-line** and as a part of profitable relationships and partnerships with retail chains

Business clients



We will implement a payment gateway for e-commerce together with the Tpay system operator



We will develop **card acquiring** for e-/ m-commerce



We will offer services for e-stores and e-commerce platforms enabling **installment sale**

Aspiration 2024

Top 3

**Position
in e-commerce
payments market**



We will leverage our unique relation with PZU to enhance our bancassurance offering

Cooperation with PZU as a catalyst for growth of insurance sales

Product linked insurance

Increase in **cash loan CPI penetration** and maintaining the high level of **mortgage CPI penetration**

Standalone insurance

A new stream of income from standalone products (e.g. **motor insurance**)



Digitisation

Product digitisation and simple service processes available through remote channels

CRM

Leveraging **CRM and RTM data analytics** to increase the effectiveness of sales of insurance products

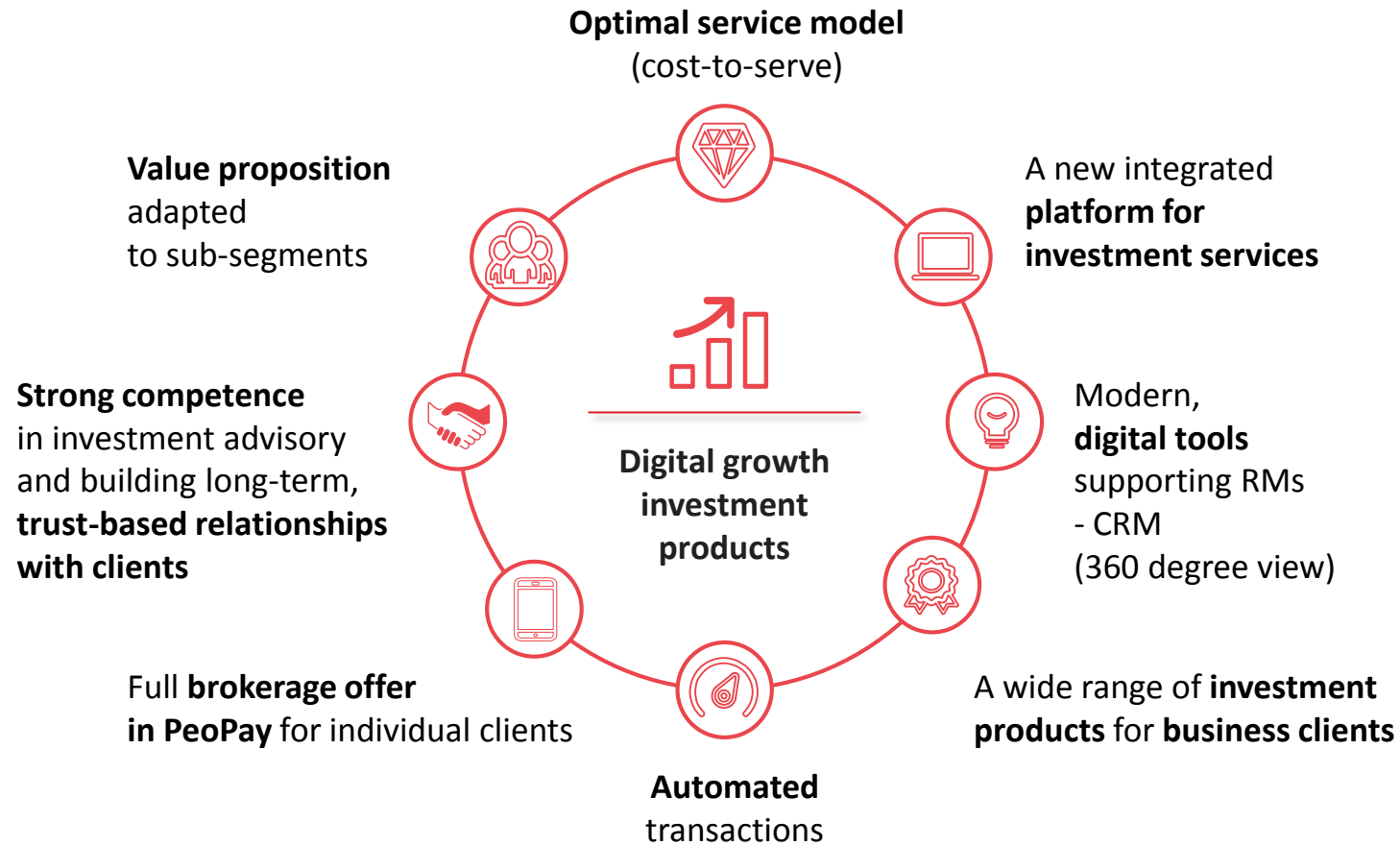
Aspiration 2024

~ **2 x**

Increase in gross written premium



Offer and service processes digitisation will pave the way for growth in investment products



Aspiration 2024

Sales of mutual funds in remote channels (% of the volume) **> 80%**

Share in turnover on domestic capital market of the WSE (2024 vs 3% in 2020) **~8%**

AuM - assets under management, Pekao market share (2024 vs 13.5% in 2020) **> 17%**



We will use our potential for growth in the SME and MID enterprises segment

Priorities

- **Credit Factory** - automation and digitisation of processes with the use of Big Data analytics
- **Digitisation** of customer service using **self-service zone** in online and mobile banking
- **Acquisition digitisation and clients on-boarding**
- **Enhancement of banking products offering and value-added services**
- **New CRM** and sales tools supporting acquisition and x-sell
- Responsible support of enterprises and environment

Aspiration 2024

	Client acquisition (<i>annually</i>)	Revenue per client (2024 vs 2020)
SME 	>2,200	+ ~30%
MID Enterprises 	~1,000	+ ~15%



We will improve efficiency through potent digitisation and process automation

Strategy pillar

Strategic directions



We will **accelerate digitisation** and migration of processes to remote channels



We will carry out **technological transformation** and improve **efficiency of operations**



We will optimize **credit processes**



We will develop the functionalities of digital channels and improve commercial efficiency

We will increase the share of self-service in digital channels

Aspiration 2024



**Digitisation
and migration
to remote
channels**

Individual clients

- We will implement a **new integrated distribution model**
- We will enable clients to handle almost **any matter online**
- We will **adjust the scale of branch network as well as formats and roles of branches** to changing expectations of customers

SME, MID and Corporate clients

- **We will launch a self-service zone** in digital channels
- We will enable the **purchase of credit and non-credit products on-line**
- **We will automate processes** enabling customers to carry out after-sales self-service

Dispositions
of retail banking
clients in **digital channels**
(share, %)

> 80%

SME, MID
and Corporate
clients using
self-service in digital channels (%)

> 80%





We will enhance efficiency through process optimisation

We will improve operational efficiency



**Process
optimisation
and automation**



We will standardise and **optimise the most costly processes** in branch network and in HQ



We will **centralise** operational activities



We will **increase the level robotization and automation of processes** in operations area



We will optimize processes related to **cash turnover** - we will implement a new cash service model

Aspiration 2024

~ 2 x



**Number
of customers per FTE
in operations**



Effective IT will be the catalyst of transformation and strategy implementation

Flexible IT and able to quickly adapt to dynamically changing market conditions



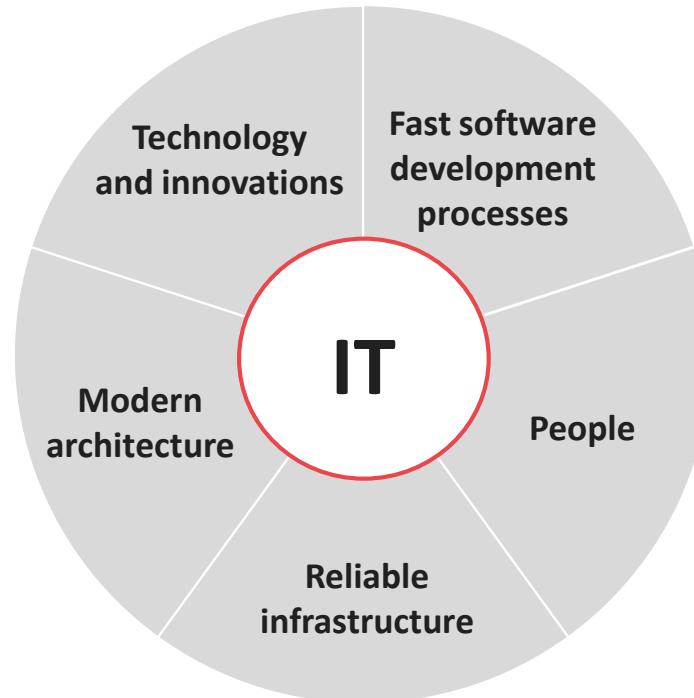
- **Mobile** technology
- Hyperautomation
- **AI**
- Big Data



- **Upgrade** of application environment
- Architecture **modernisation**
- Public and private **cloud**



- **Safe and scalable** infrastructure
- **Mobile** work stations



- **Agile methodologies** and tools (Agile/SCRUM)
- **DevOps** model work organization
- Test **automation**



- **Strong competences** in areas of: mobile applications, public cloud, AI and Big Data
- **Increase in** number of FTEs (~10% Bank FTEs) and **reduction** of contractors



We will offer fast and convenient credit processes

We will improve credit processes effectiveness



Significant
optimisation of
credit processes



We will centralise and automate mortgage process
– new mortgage platform



We will optimise credit process in **microbusinesses segment**



We will introduce credit **fast tracks** for SME



We will introduce **new credit workflow**
for SME, MID and Corporate client segments



We will use data analytics to **broaden pre-approved limits coverage** across all segments

Aspiration 2024

Time to decision (days)

Mortgages

> 8

Microbusinesses

> 1

SME (FT)

> 1

MID¹

> 5

¹ 60% of credit applications



We will handle business development responsibly and strengthen our efforts to support sustainable social development

Strategy Pillar

Strategic directions



We will maintain a **responsible** approach to **risk and capital management**



We will support the **development of the economy**



We will take into account to a greater extent **environmental, social and corporate governance (ESG)** factors in our operations



We will manage risk and capital responsibly

We will maintain safe risk profile in changing market environment



We will enhance risk models infrastructure

- We will enhance **algorithms and decision models**
- We will **take care of quality of data** and optimization of their sources
- We will upgrade environment and **analytics infrastructure**



We will develop pre-approved processes

- We will develop **fast-tracks** and **pre-approved** offers coverage
- We will **integrate** monitoring processes, renewals and credit offerings



We will automate credit scoring processes

- We will **automate** elements of credit decision processes
- We will **rebuild data bases** supporting credit process (collaterals, financial statements, affiliations)



We will take care of security in cyberspace

- We will elaborate new, coherent system of **cyber risk** monitoring
- We will **increase security measures** in public cloud



- We will develop **methods and processes for measuring the expected loss** taking into account risk appetite
- **Slight increase in the target cost of risk** resulting from changes in shares of individual asset groups and focus on profitability after the cost of risk
- Credit strategy steering based on **marginal profitability after the cost of risk** to support growth in profitable segments

Aspiration 2024

TOP 3 - one of the lowest risk costs **50-60 bps**

Strong capital position (Tier 1) **> 14%**



Responsibly managing capital, we will support climate transformation and economy development together with corporate and public sector clients

Supporting sustainable economic development, we will maintain the leading position in corporate banking



We will focus on actively supporting government and EU programs for economic recovery and climate transformation (development and infrastructure projects for strategic clients and public sector, National Recovery Plan)



We will responsibly manage capital through better selection of clients and transactions based on sector expertise, unique corporate and investment banking product offer, DCM competences and targeted products x-sell



We will strengthen our position in the area of investment banking, taking into account the specificity of customer segments and groups, based on strong competences and a unique product offer



We will develop international banking through active support of international expansion of corporate clients

Aspiration 2024



Maintaining leading position in corporate banking



We will continue to operate responsibly supporting sustainable development of economy and society as well as environmental protection



Environment

- We will be engaged in financing of **sustainable projects**
- We support gradual and orderly **transition to low-emission** economy and increase of renewable energy projects financing¹



Society

- **We will support growth of Polish companies** through active participation in guarantee programs and accelerators
- **We will remain preferred employer** by focusing on development and equal treatment of employees
- We will continue **charity and educational** activities



Governance

- We keep the highest **corporate governance standards**
- **Transparency** - ESG policies and non-financial reporting are carried out according to the best practices
- We are building an institutional approach to ESG by appointing a dedicated **ESG team** and **ESG Council**

Our efforts have already been noticed by rating agencies

Bloomberg GEI ¹	✓	FTSE Russel ESG ²	3.1	MSCI ESG ³	A	Sustainalytics ⁴	26.9	Vigeo Eiris ⁵	69	WIG-ESG ⁶	0.8
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¹The Bank's policy takes into account the issues of financing high-emission sectors and supporting pro-ecological projects ²Pekao SA included in Bloomberg Gender-Equality Index. ³Scale 1 to 5. ⁴Scale CCC to AAA.

⁵Scale 100 to 0. ⁶Scale 0 to 100. ⁷Scale 0.6 to 1.

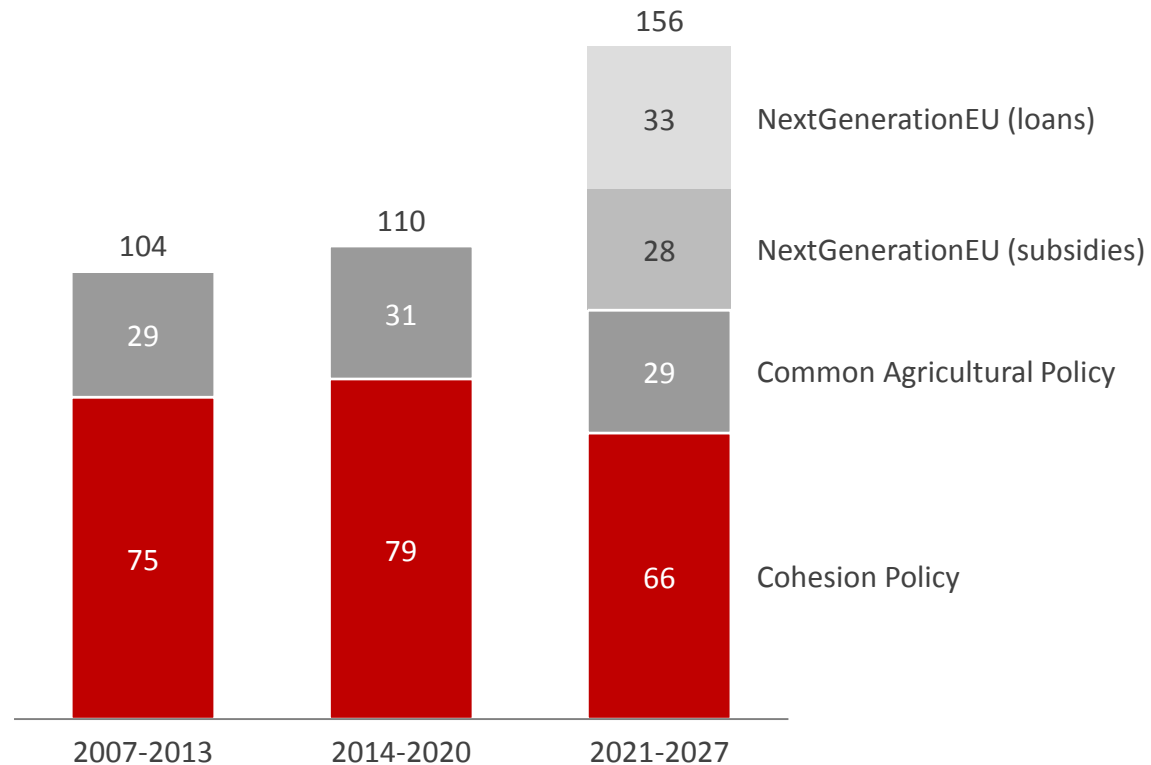
Our financial aspirations



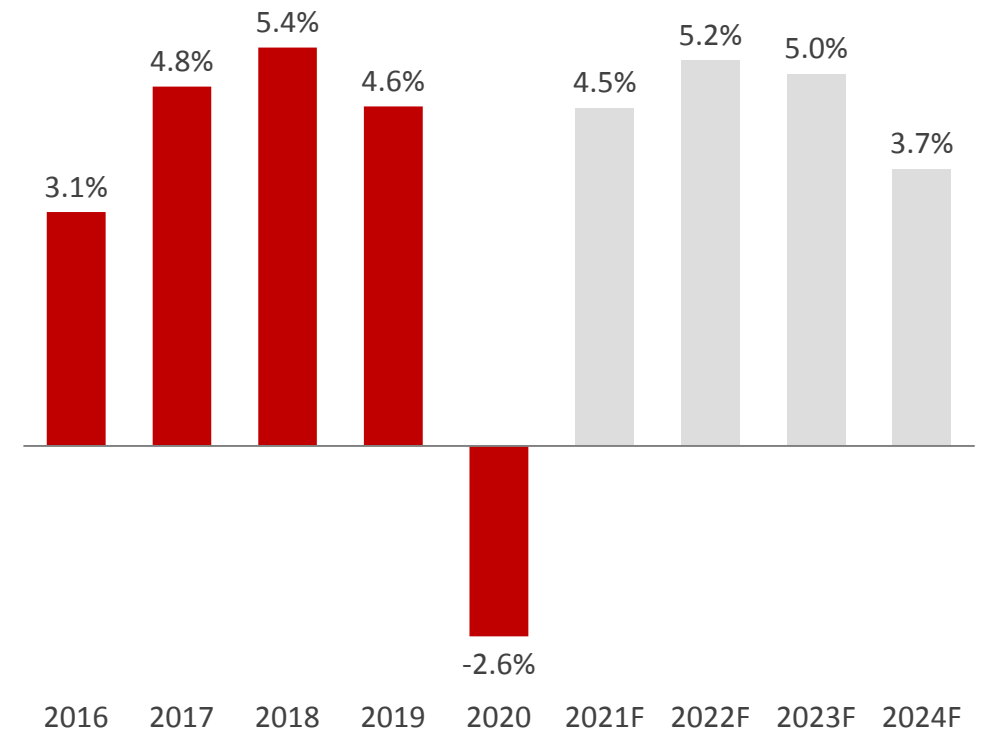


Macroeconomic scenario: We expect return to the path of high economic growth

EU funds gross inflow, EUR bn (2018 prices)



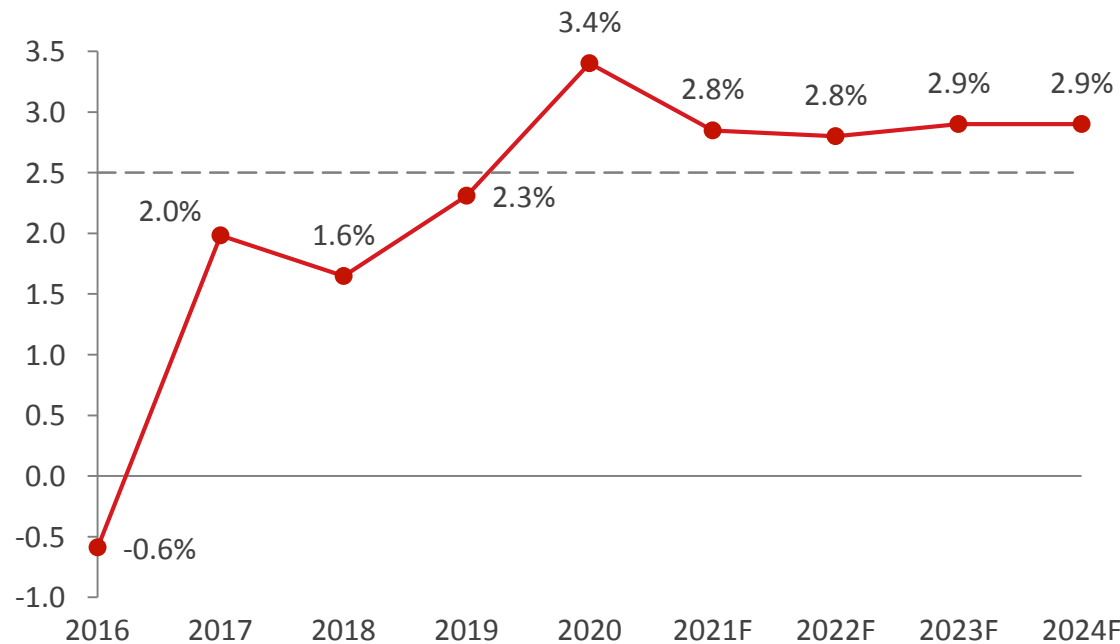
GDP growth, % YoY



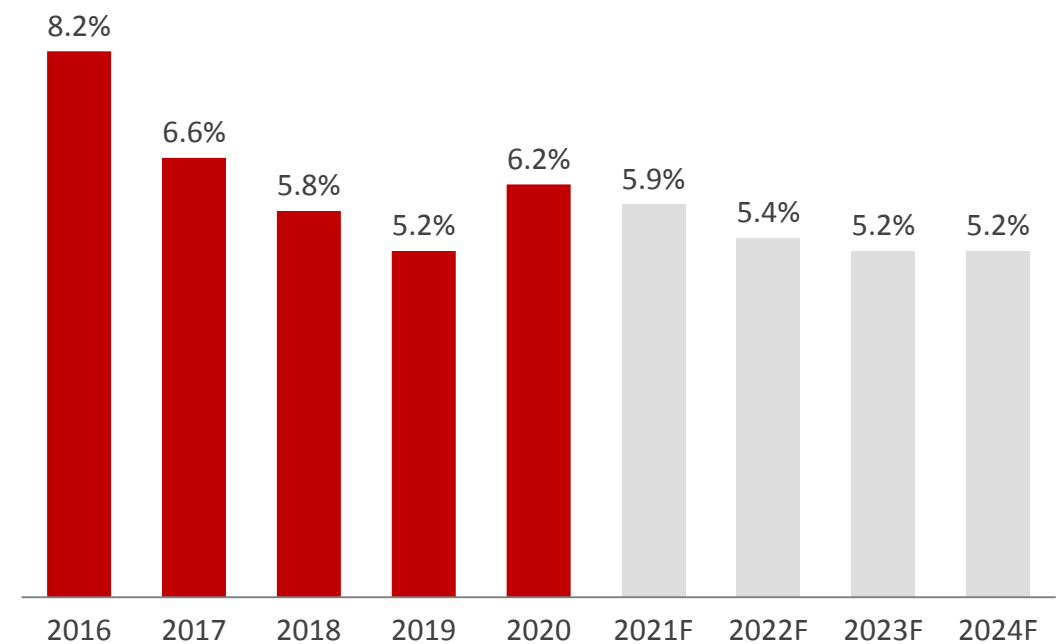


Macroeconomic scenario: We forecast elevated inflation and improvement of labour market situation over the strategy horizon

CPI inflation (annual average), % YoY



Unemployment rate (end of year), %



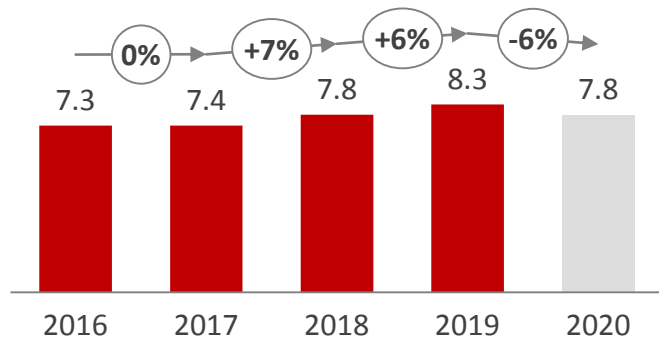
The strategy was developed assuming the maintenance of zero interest rates, although we see potential for their growth in 2023-2024



Before pandemic we were on the path of Strategy 2020 implementation

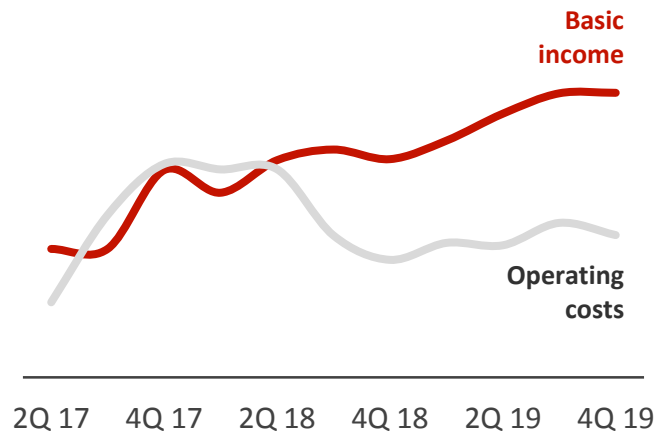
Leader of smart growth

Operating income dynamic, PLN bn



Efficiency and quality expert

Operating jaws, %

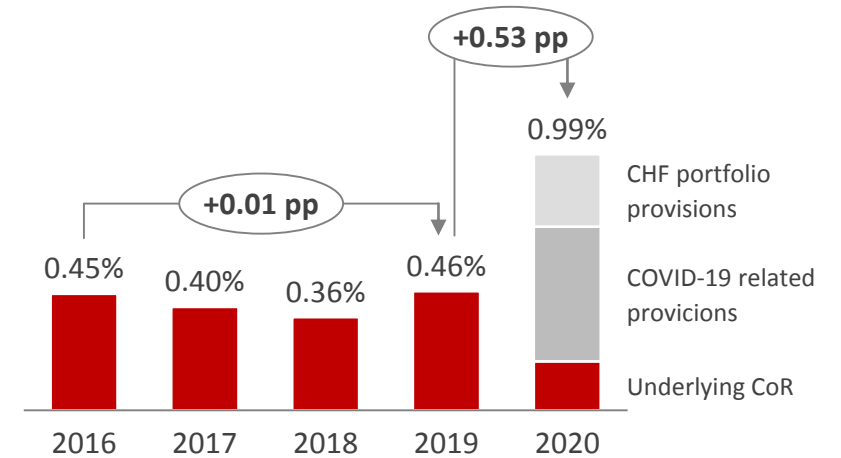


Year	2017	2018	2019	2020
C/I ¹	44.4%	44.0%	42.7%	44.4%

Strategy goal: ~40%

Integrated risk management expert

Cost of risk dynamic, %



Year	2017	2018	2019	2020
COR	0.40%	0.36%	0.46%	0.99%

Strategy goal: 0.50%

Year	2017	2018	2019	2020
ROE	9%	10%	10%	4.5%

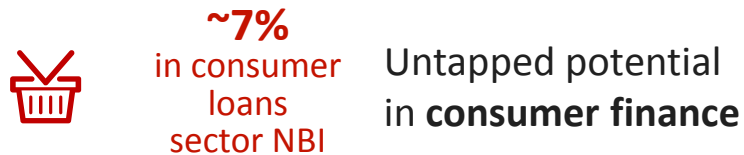
Strategy goal: 11-12%

¹ In the Strategy adopted for 2018-2020, the strategic cost / income ratio was defined excluding Bank Guarantee Fund fee (BGF)



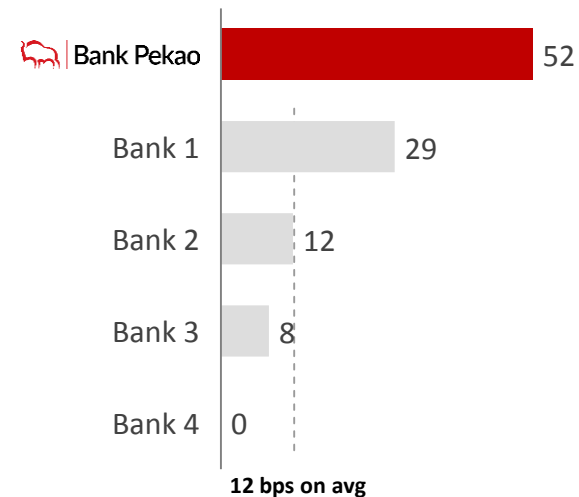
In 2020, we prepared the Bank to accelerate growth in the most prospective segments

Areas of untapped potential in Strategy 2020



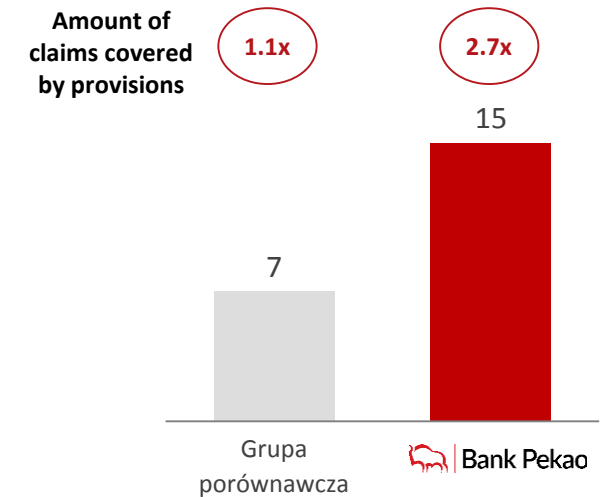
COVID impact

COVID 19-related provisions in Top 5 banks¹, bps



CHF impact

Provisions for CHF mortgage loans as % of CHF loan portfolio



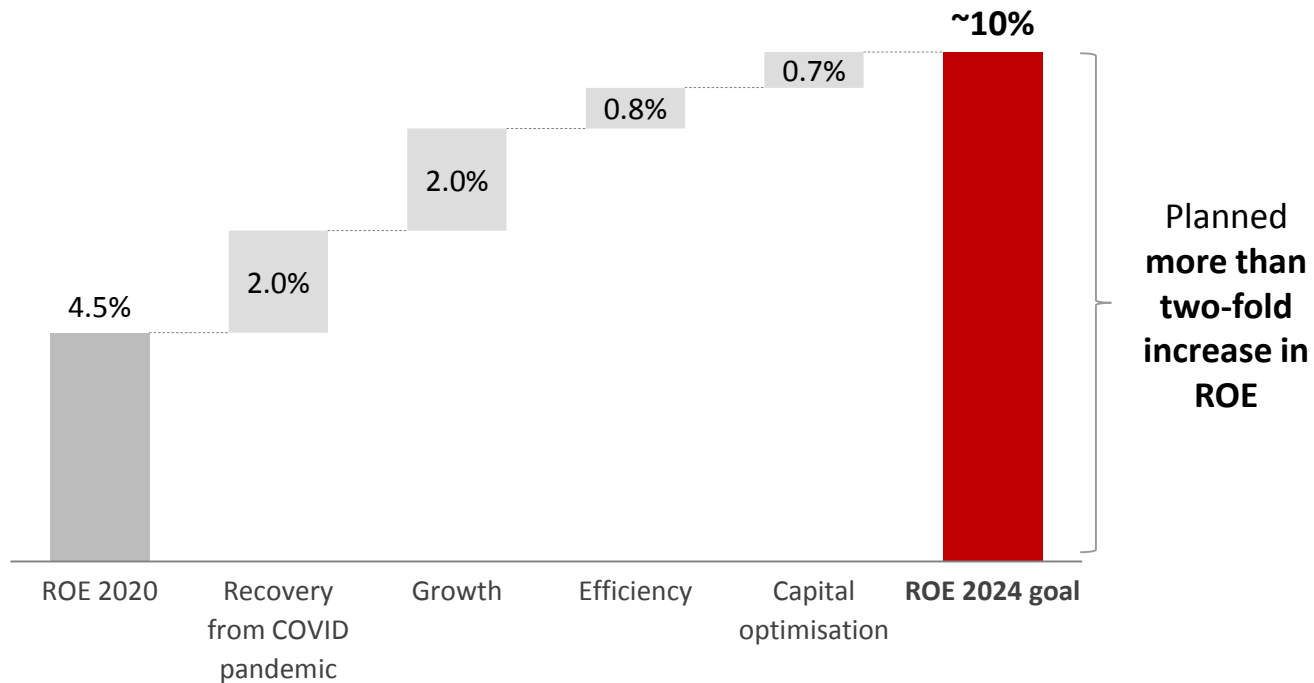
Thanks to a conservative reserve-setting policy, we entered 2021 with a clean balance sheet and growth potential

¹ COVID 19-related provisions in 2020. Own calculations based on banks' financial statements



We will use many levers to increase ROE - investment program focused on supporting the strategy

Return on equity (ROE)



The main catalysts for profitability growth (Investment areas)



Digital transformation
(PeoPay, self-service in remote channels)



Personalisation
(new CRM systems, data analyst)



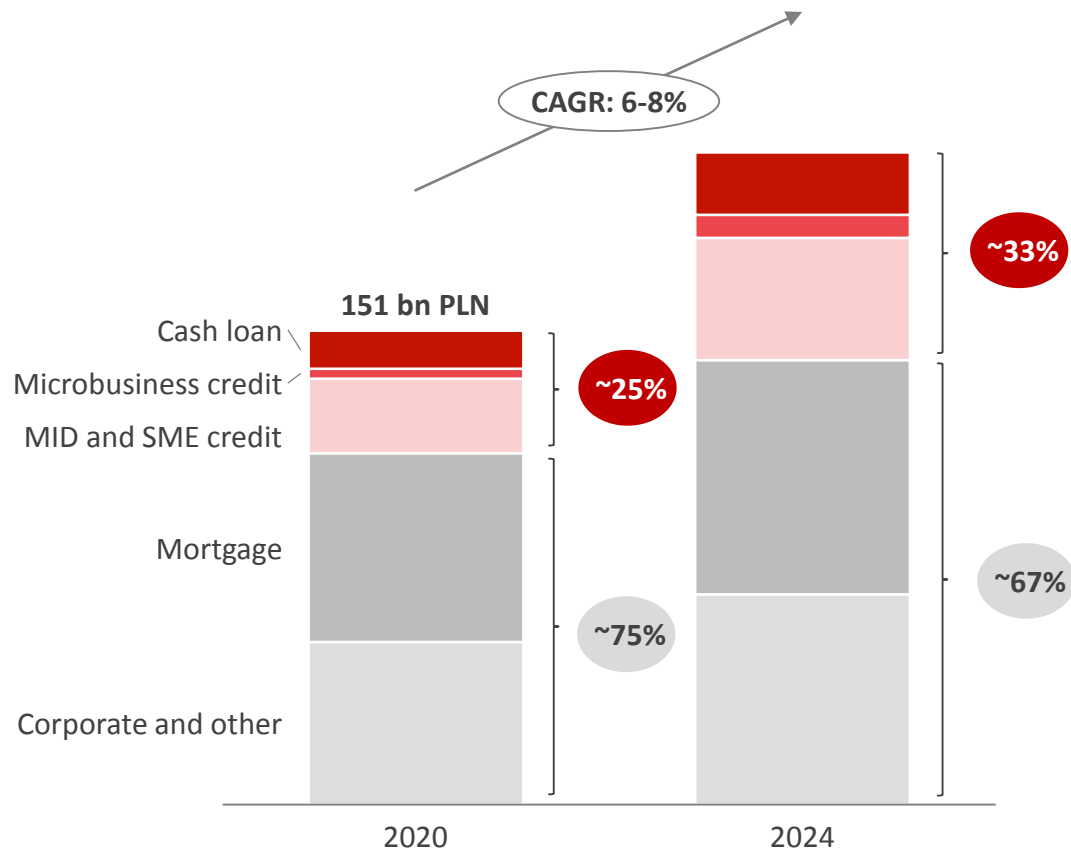
Process excellence
(credit processes, cash handling, mortgage process)

Our goal is to increase ROE thanks to a good macroeconomic situation as well as growth and savings initiatives



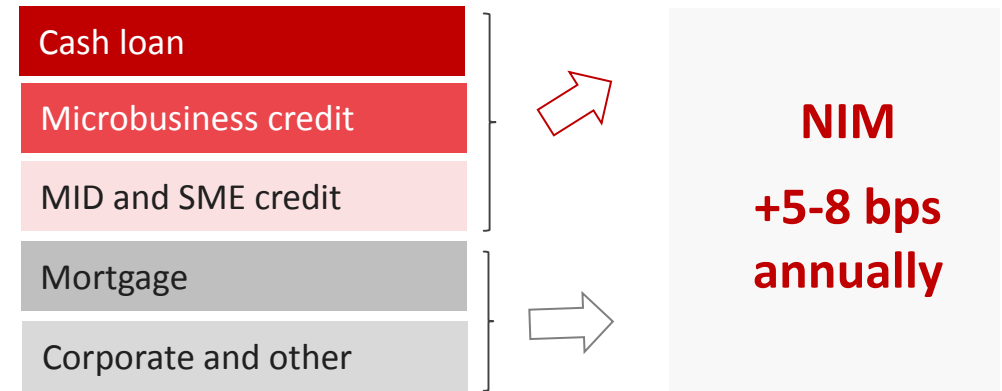
The dynamic growth will be built on significant increase in shares in the most profitable segments

Portfolio growth and evolution



Portfolio structure change along with repricing activities will support increase in interest margin

Growth strategy vs market



Strategic initiatives supporting growth of commission income

- 1** Converting deposits into mutual funds
- 2** Insurance products penetration
- 3** Cross-sell and pricing



In terms of costs, we will continue to take into account current efficiency and strategic activities for optimization

Investments



Increase in expenditure on strategic projects and business development
(PeoPay, new CRM systems, data analytics)



Further strengthen network efficiency,
using digital transformation and self-service
in remote channels

Savings

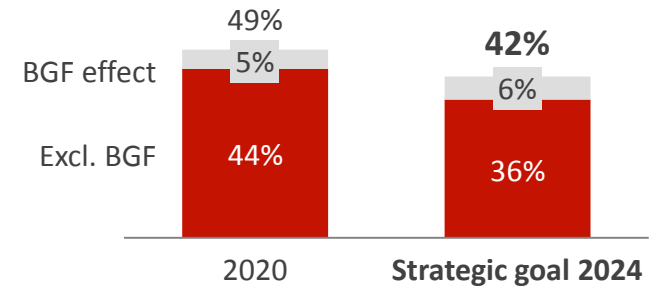


Savings on real estate and cash turnover
as a result of changes in economic
environment

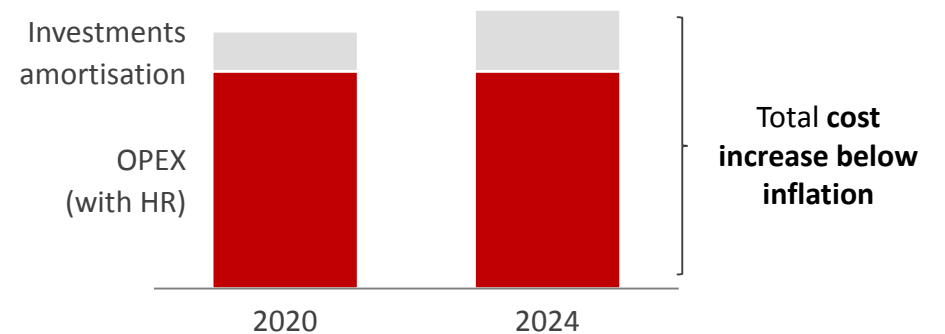


Process optimization and excellence
(automation of credit processes and
customer service)

Cost/Income ratio (C/I)¹



Cost structure



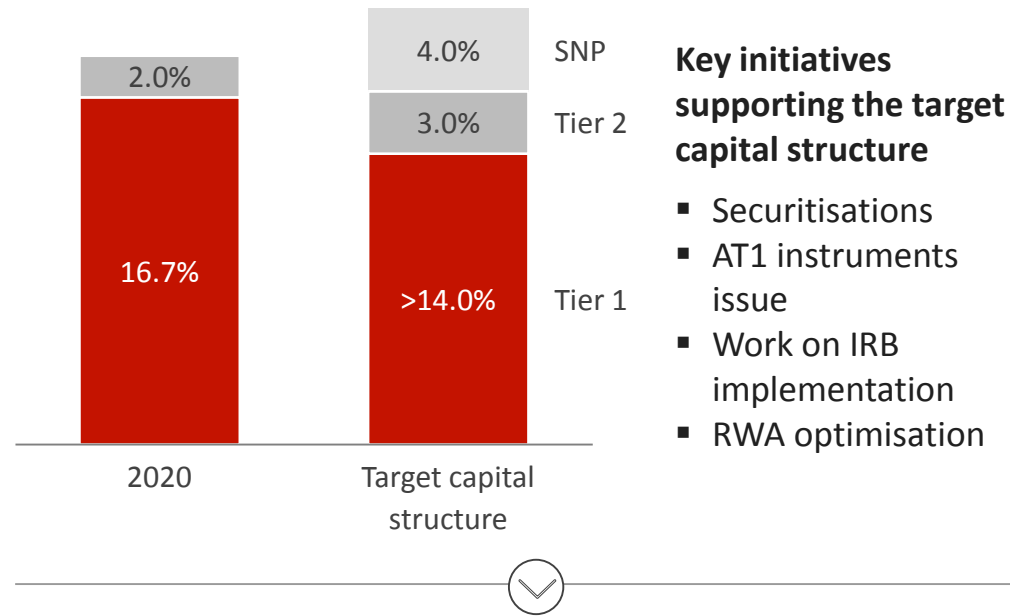
Thanks to focus on efficiency we will improve C/I

¹ Including BGF



Strong capital position will support dividend policy. We will increase balance sheet while maintaining a responsible approach to risk

Target capital structure adjusted for regulatory requirements



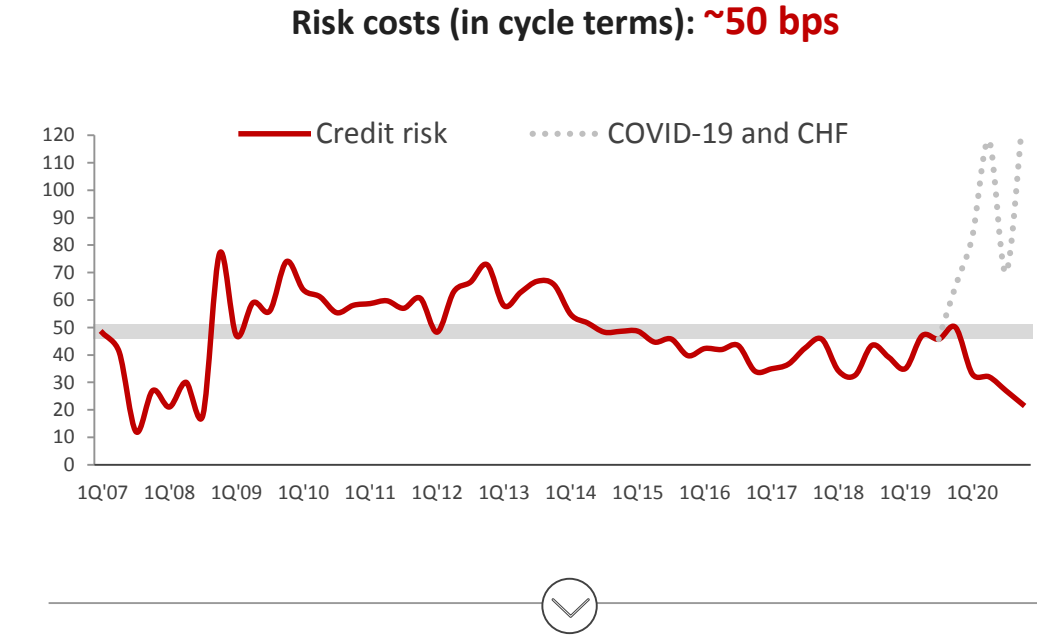
Key initiatives supporting the target capital structure

- Securitisations
- AT1 instruments issue
- Work on IRB implementation
- RWA optimisation

Attractive dividend policy

Payout ratio: 50-75%

Continuous prudent approach to risk management



Cost of risk ambition taking into account growth in higher-margin segments

50-60 bps

Bank Pekao

Mission and Vision





We have redefined the long-term mission and vision of the Bank ...

Mission

Simple and safe banking world

For almost a century we are setting the standards on the market. We are a reliable partner in everyday life of millions of Poles. We help to make dreams come true and to pursue passions. We have positive impact on the economy, we build strong relationships with entrepreneurs and provide safety to our customers. We put innovative services into practice in an easy and friendly way.

Vision

Let's be the best together

Our aspiration is to become a leader on the Polish banking market. Our ambition is to be the fastest developing and modern bank with offering going beyond traditional services. We wish to strengthen domestic brands and provide convenience and safety to every customer. We want to be an inspiring workplace.



... and values that will be the foundation for changing the Bank's organizational culture

Simply

We focus on things which are important. We communicate clearly and openly. We believe that the simplest solution is the best solution.

Together

We are a team and we respect each other. We care for those who particularly need it. We perform our individual tasks for a common goal with customers in mind. We celebrate successes and support each other on every occasion.

Boldly

We work to be the leader. We boldly identify and implement justified changes. We tackle challenges in a creative and innovative way. We are happy to share our opinions.

Responsibly

Our firm is our business, therefore we jointly engage in Bank's development. We anticipate and take into account the consequences of decisions and we manage risks efficiently. We care for high quality of work. Co-workers, customers and partners can always count on us.

