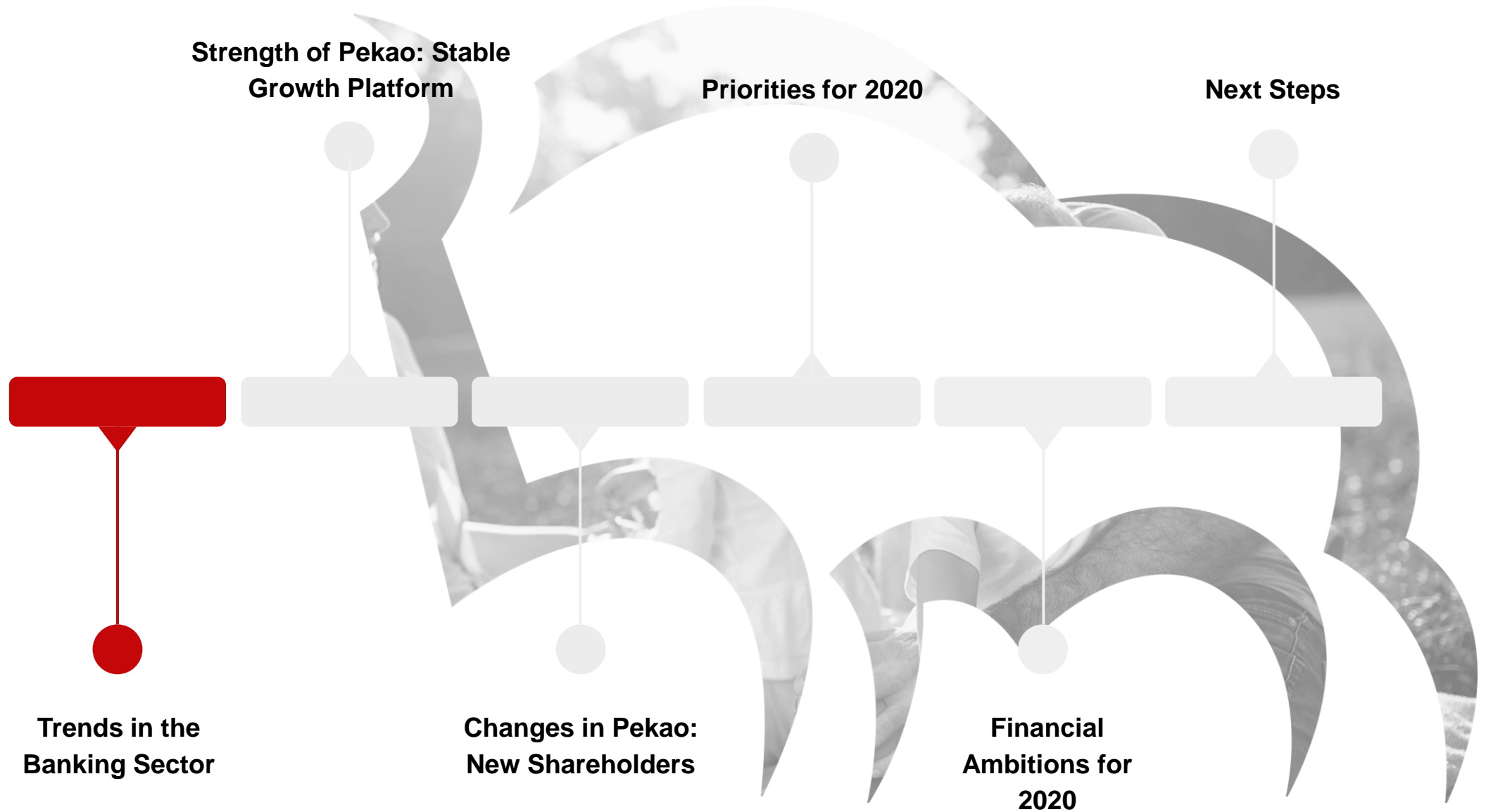





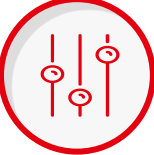

Warsaw, 08.11.2017

Power of the Polish Bison

Strategic Directions of Bank Pekao SA
2018-2020



Banking market is being currently shaped by **new trends**

	Then	Now
 Revolution in the ways people do banking	<ul style="list-style-type: none"> Mainly branches Remote channels as support 	<ul style="list-style-type: none"> Omnichannel Leading role of remote channels
 Shifting competitive landscape	<ul style="list-style-type: none"> Other banks Traditional advantages: scale, price, branches 	<ul style="list-style-type: none"> Banks and players from outside the sector Digital, innovations, flexibility
 Ever changing, disruptive technologies	<ul style="list-style-type: none"> Traditional technologies and systems 	<ul style="list-style-type: none"> Big Data, AI Robotic Process Automation Blockchain
 Impact of the regulations on the business model	<ul style="list-style-type: none"> Financial regulations (Basel, banking tax) 	<ul style="list-style-type: none"> Business / operational regulations (MiFiD II, PSD II)
 Favourable macroeconomic environment	<ul style="list-style-type: none"> Lacklustre post-crisis recovery 	<ul style="list-style-type: none"> Economic expansion


It is crucial to adjust to the changing Customer expectations and the shifting competitive, regulatory and economic landscape, as well as opportunities and challenges associated with new technologies


Uniquely good macroeconomic landscape

Global economy has finally sped up


		2008-2010	2011-2015	2016-2017
Economy	GDP Growth ¹	-0.1%	1.7%	2.0%
	Investments ¹	-4.1%	2.5%	2.6%
Attitudes	CEO Confidence	4.0	5.9	6.5
	PMI Index	49.4	51.3	51.9
Capital Markets	MSCI World	1 146	1 488	1 772
	VIX	29.3	17.4	13.8
	M&A volume (USD Tr) ²	2.0	3.0	4.4
	Global IG Bond Yields	102.3	110.7	113.5


Record-breaking situation in Poland

- 
Highest corporate income and profits on record


<i>Income</i> PLN 2.5Tr <small>(+67% '16 vs '06)</small>	<i>Profits</i> PLN 110B <small>(+57% '16 vs '06)</small>
---	---
- 
Lowest unemployment rate on record

4.7% <small>(BAEL 3Q '17)</small>

- 
Highest international trade on record

<i>Exports</i> PLN 436B <small>(+104% 1H '17 vs 1H '07)</small>
--
- 
Best household attitude indices on record

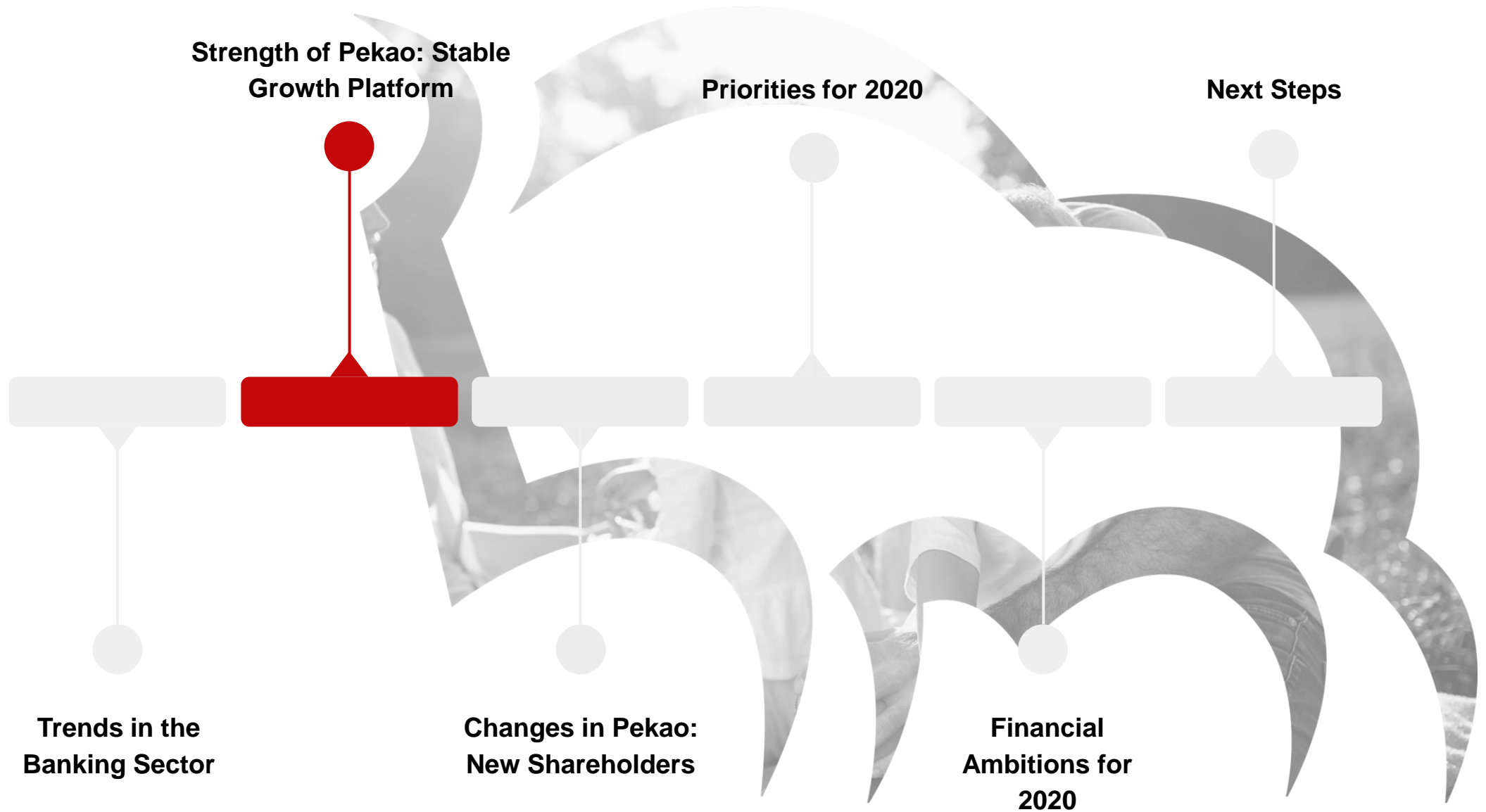
Positive Customer Confidence³ <small>first time in history</small>

- 
Largest support for the Polish economy

PLN ~350B <small>Allocation of EU funds for Poland for '14-'20</small>
--

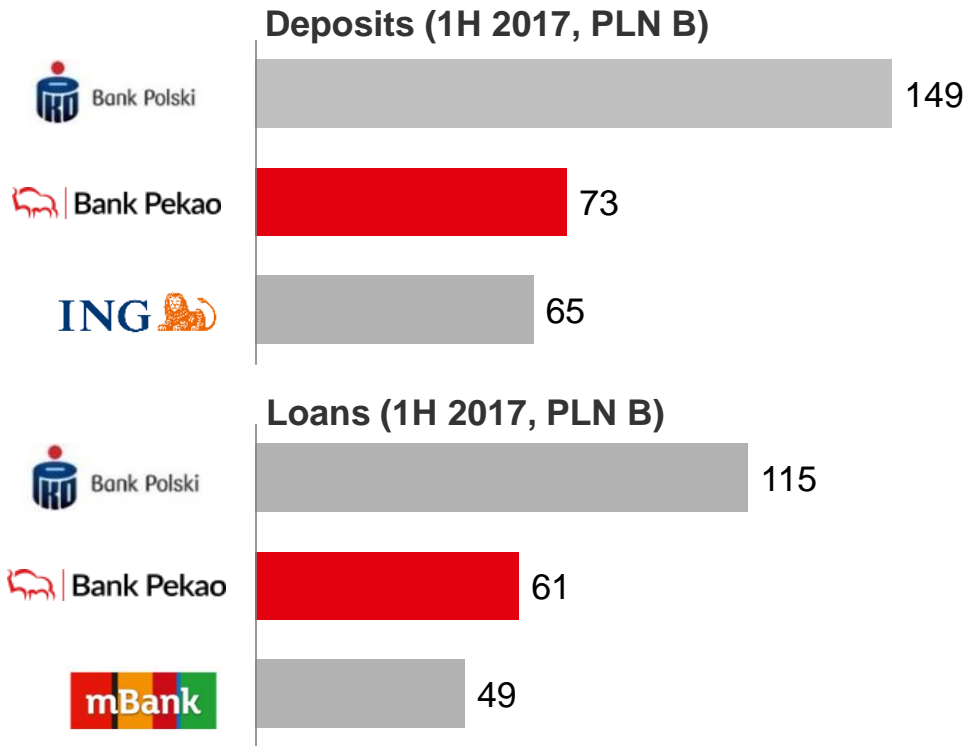
Very favourable macroeconomic environment supporting a smart growth strategy

1. IMF, Advanced Economies category
 2. Market value (Bloomberg)
 3. Bieżący Wskaźnik Ufności Konsumenckiej (Current Consumer Confidence Index) according to GUS in Q2 2017

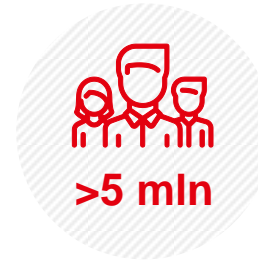


Strong starting position for the new strategy: leader in **retail banking**

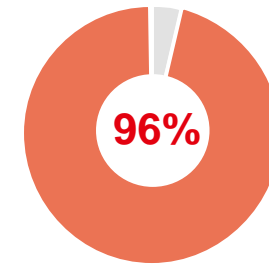
Very strong market position...



...recognized by everyone



Customer base



High level of brand awareness

PeoPay



Proven ability to innovate

First app in Poland with biometric transfer authorisation

Golden Banker award for Pekao's multicurrency debit card

Pekao SA as Leader in Private Banking



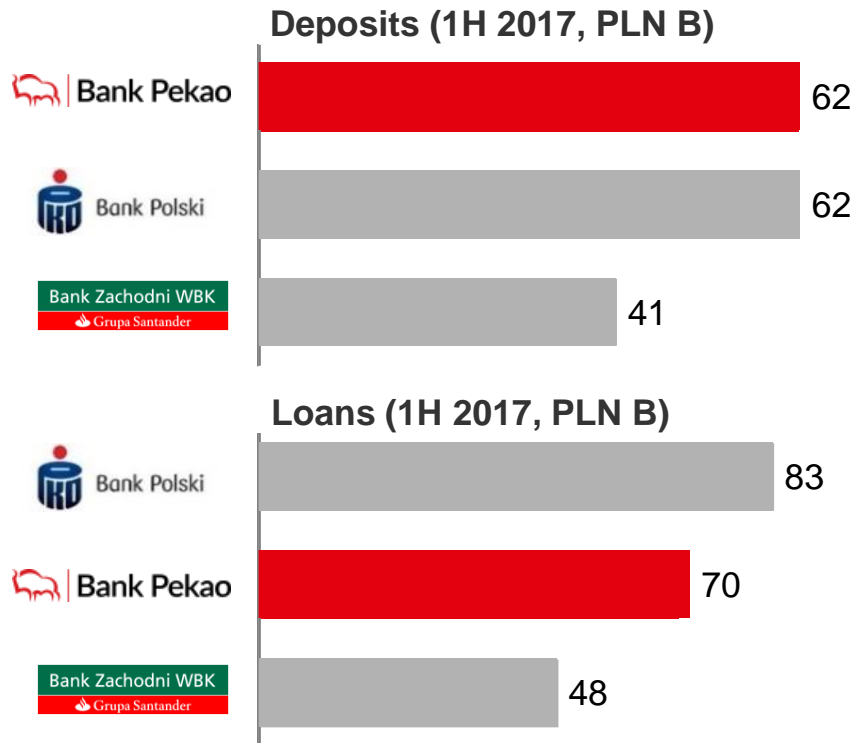
Puls Biznesu

Bankier.pl



Strong starting position for the new strategy: Pekao is the champion of **business banking**

Market leader...



...expert in bespoke solutions for companies

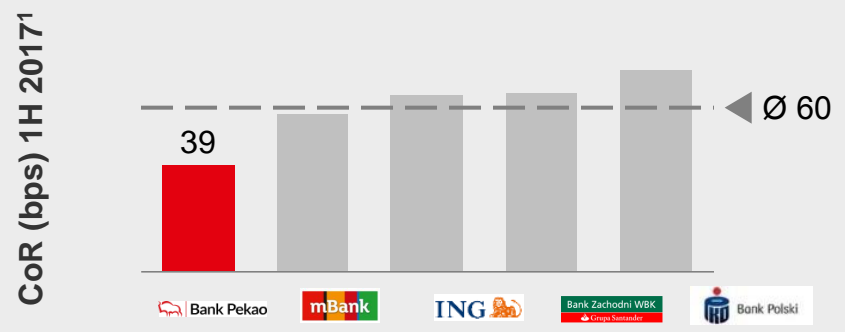
Pekao's clients constitute **half** of the largest Polish companies



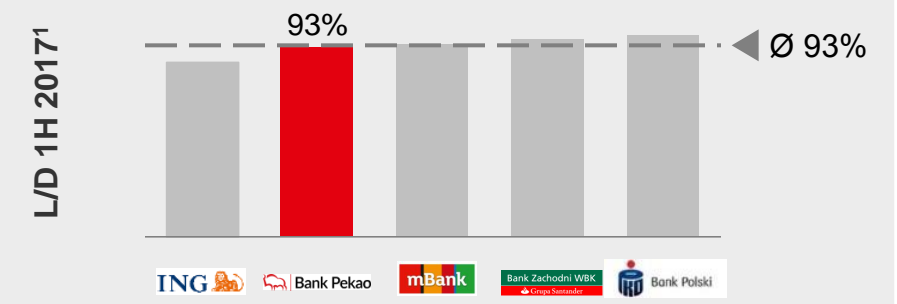
- Finance review** (GLOBAL BANKING & review): Best Corporate Bank in Poland (2017)
- EUROMONEY** (TRADE FINANCE SURVEY 2017): Best Trade Finance Provider (2017)
- CEE MERGERS AND ACQUISITIONS (M&A) AWARDS**: Bank of the year (2017)
- Global Finance**: Best Investment Bank in Poland (2017)

Pekao has the strongest platform for **further growth**

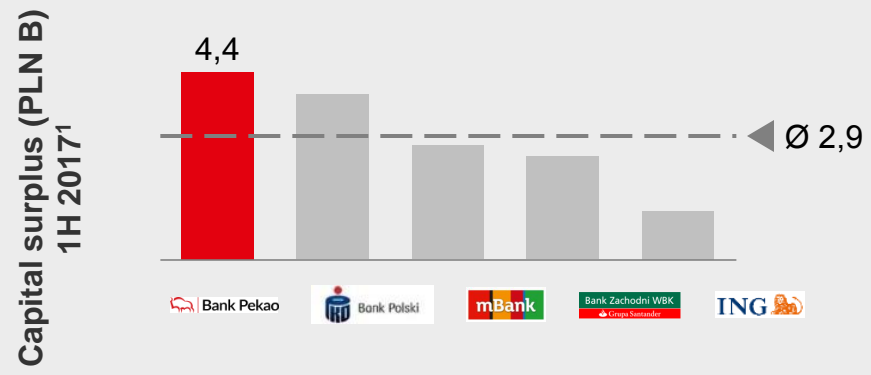
Expert in managing credit risk



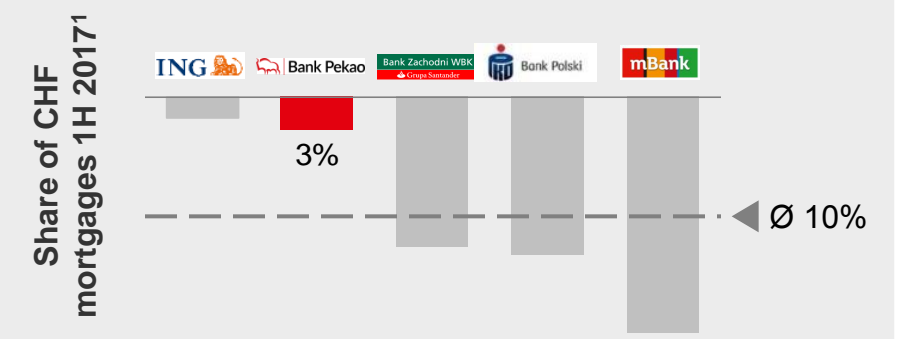
Strong liquidity position



Highest capital buffer

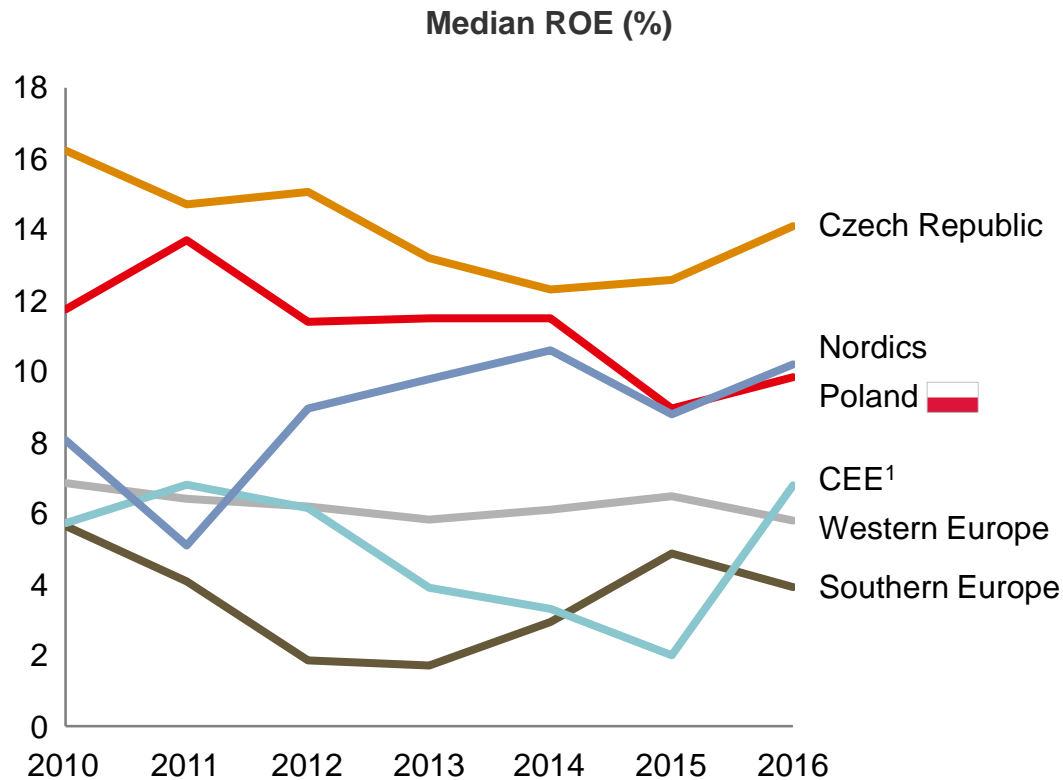


Healthy balance sheet

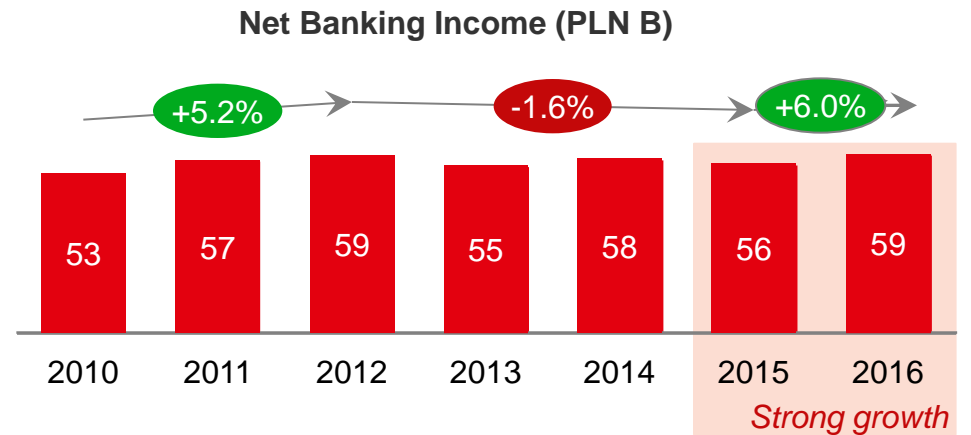


Poland is one of the most **attractive markets** for global investors

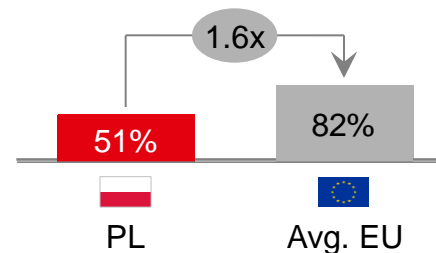
Polish banking sector is one of Europe's profitability leaders



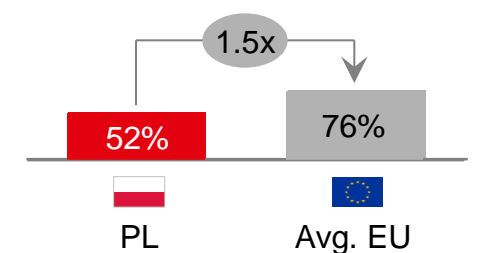
Further dynamic growth of the sector expected



Loans as % of GDP



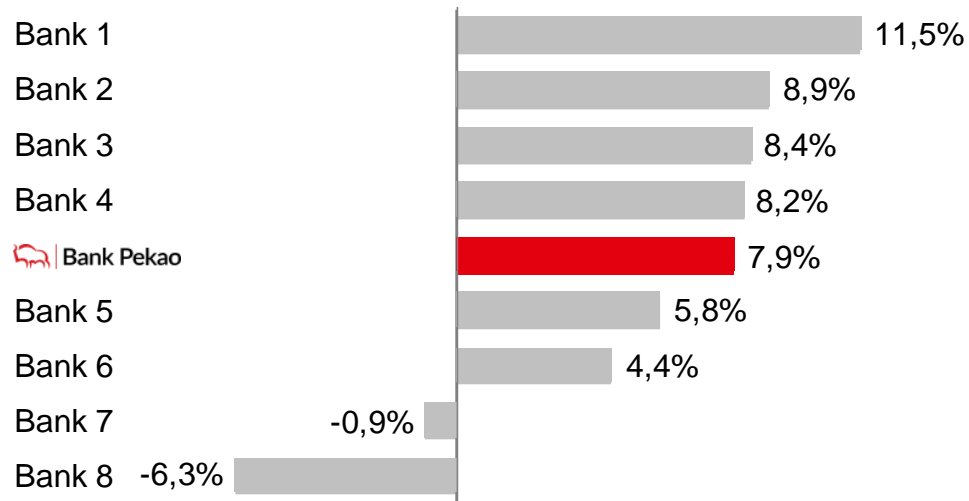
Deposits as % of GDP



We intend to take full advantage of the **profitability and efficiency** improvement potential

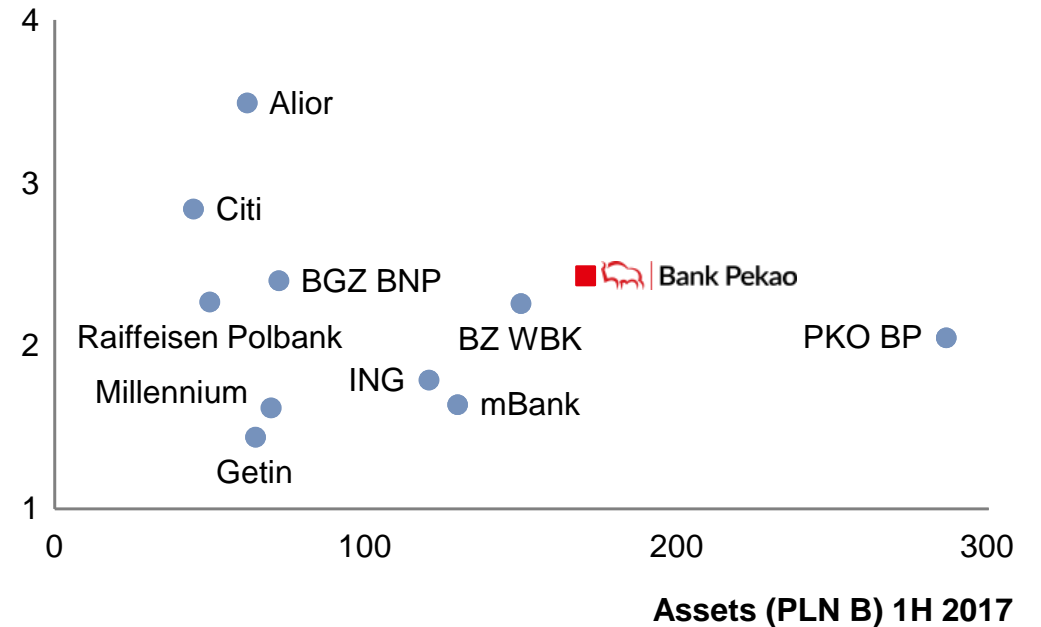
Pekao has space for profitability improvement as compared to other banks in Poland

ROE 1H 2017

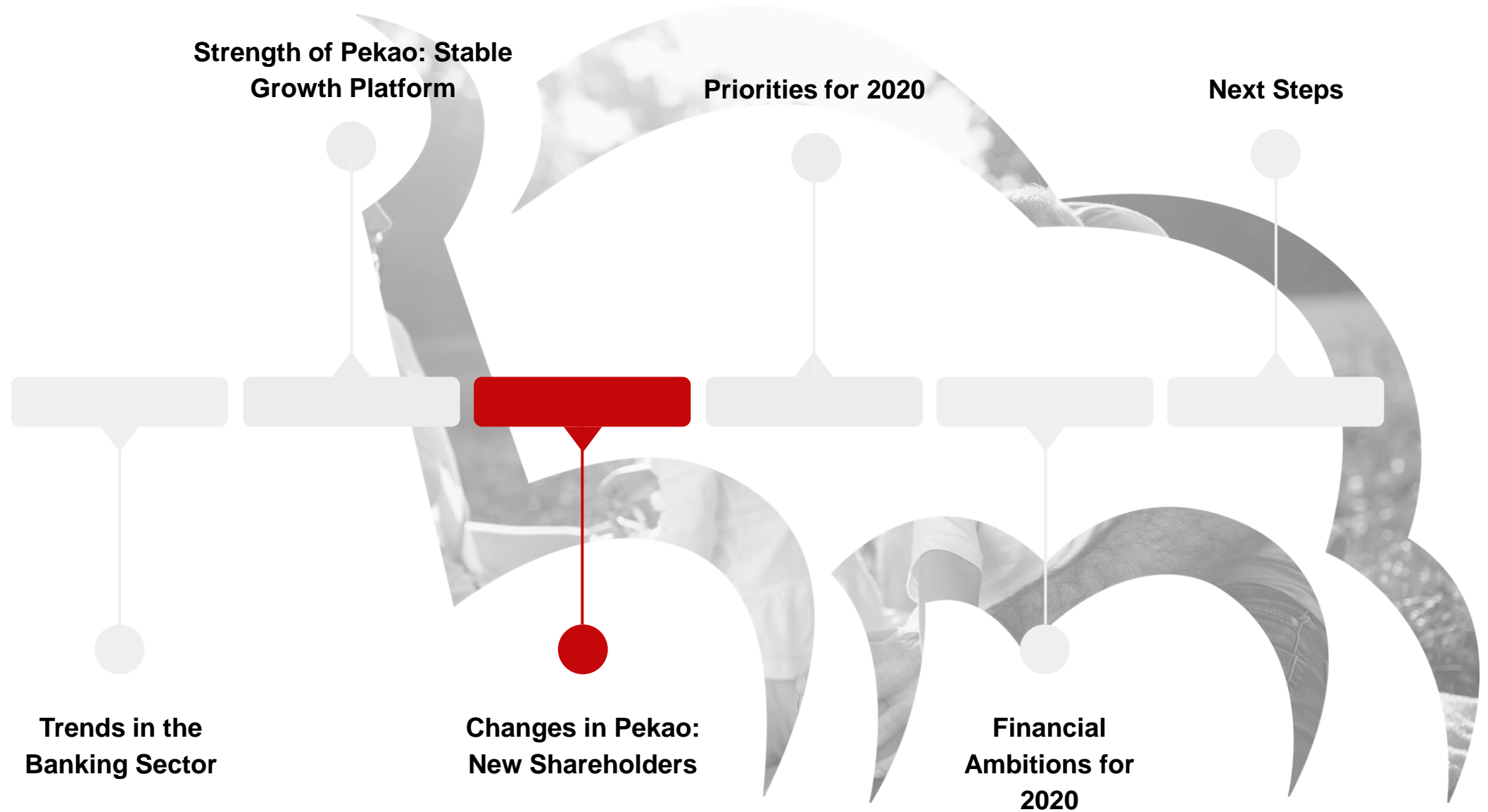


We will exploit the efficiency potential, offered by our scale

Costs / assets (%) 1H 2017¹



We want to be the leader of profitability and efficiency in Poland



Trends in the Banking Sector

Strength of Pekao: Stable Growth Platform

Changes in Pekao: New Shareholders

Priorities for 2020

Financial Ambitions for 2020

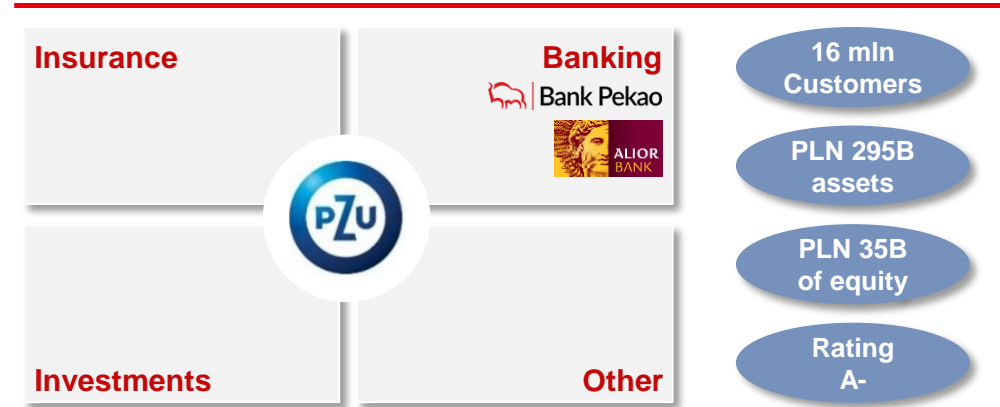
Next Steps

Pekao has gained **strong partners** for growth

Key partners

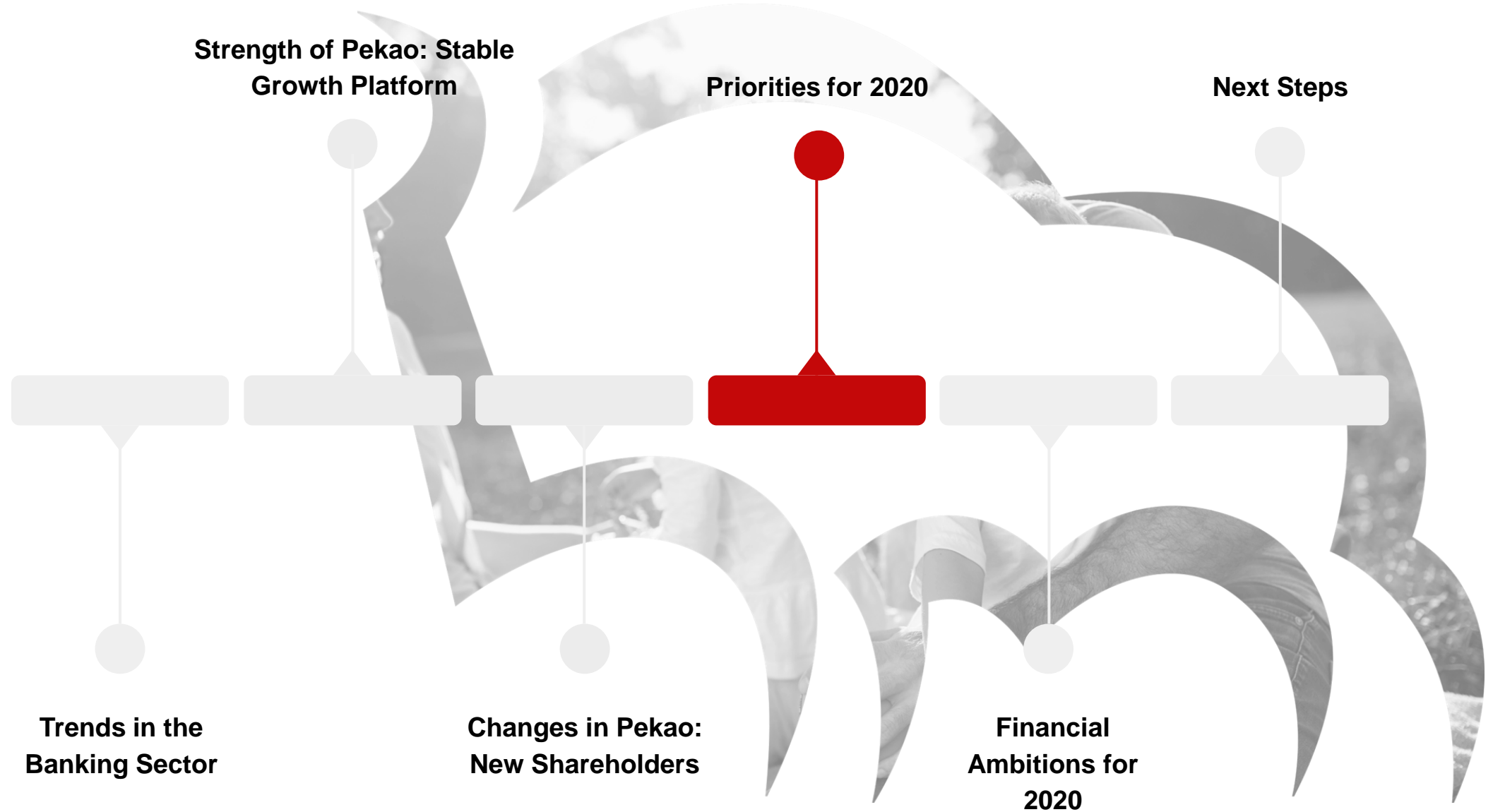


Pekao is part of the PZU Group – the largest financial group in CEE



Polish Development Fund is a strategic shareholder in Pekao





Strength of Pekao: Stable Growth Platform

Priorities for 2020

Next Steps

Trends in the Banking Sector

Changes in Pekao: New Shareholders

Financial Ambitions for 2020

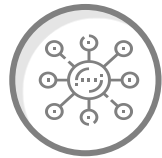
Vision for 2020: Pekao to be the leader of profitability focused on relationships and efficiency due to its scale

Our vision for Pekao 2020...

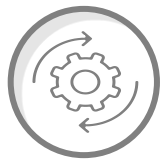
...translates directly into clearly established business priorities



Bank increasing the **value** for shareholders through **smart growth** in the most **profitable** segments, while maintaining discipline in **risk management**



Universal bank – serving all of its Customer segments on an **integrated platform** – building its value through **relationships**



Efficient and modern bank both from the Customer perspective and with respect to internal processes



Leader in smart growth



Expert in efficiency and quality

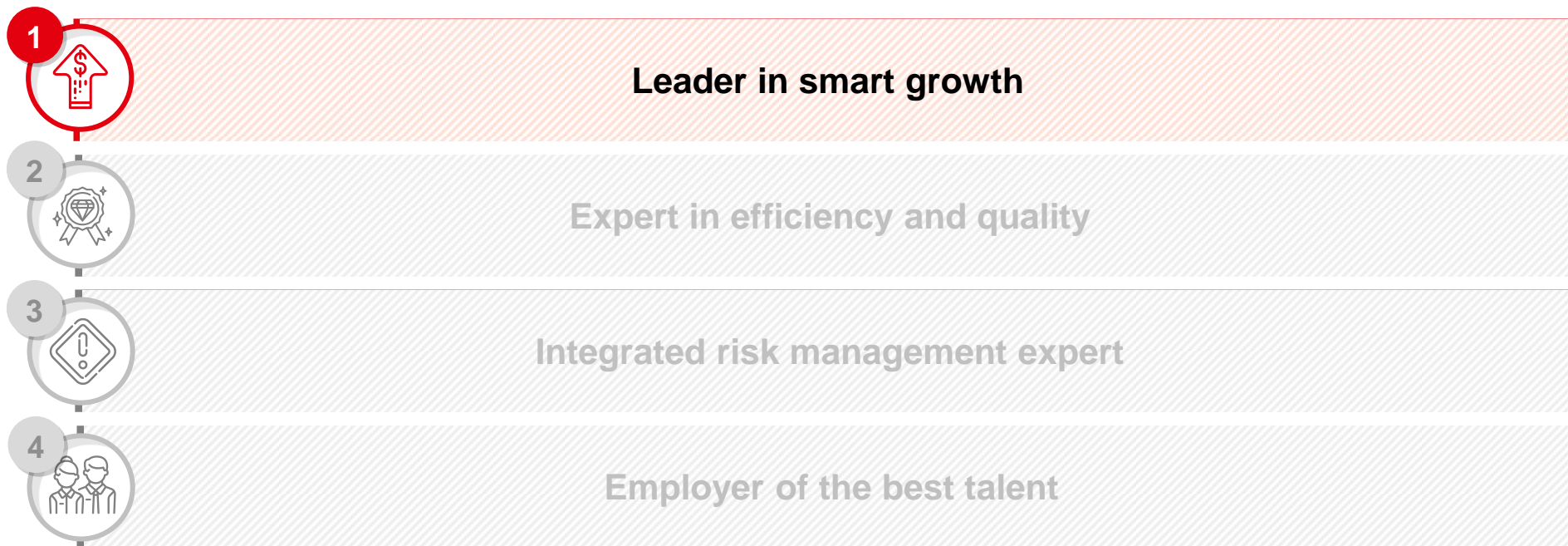


Integrated risk management expert



Employer of the best talent

Business priorities for 2020

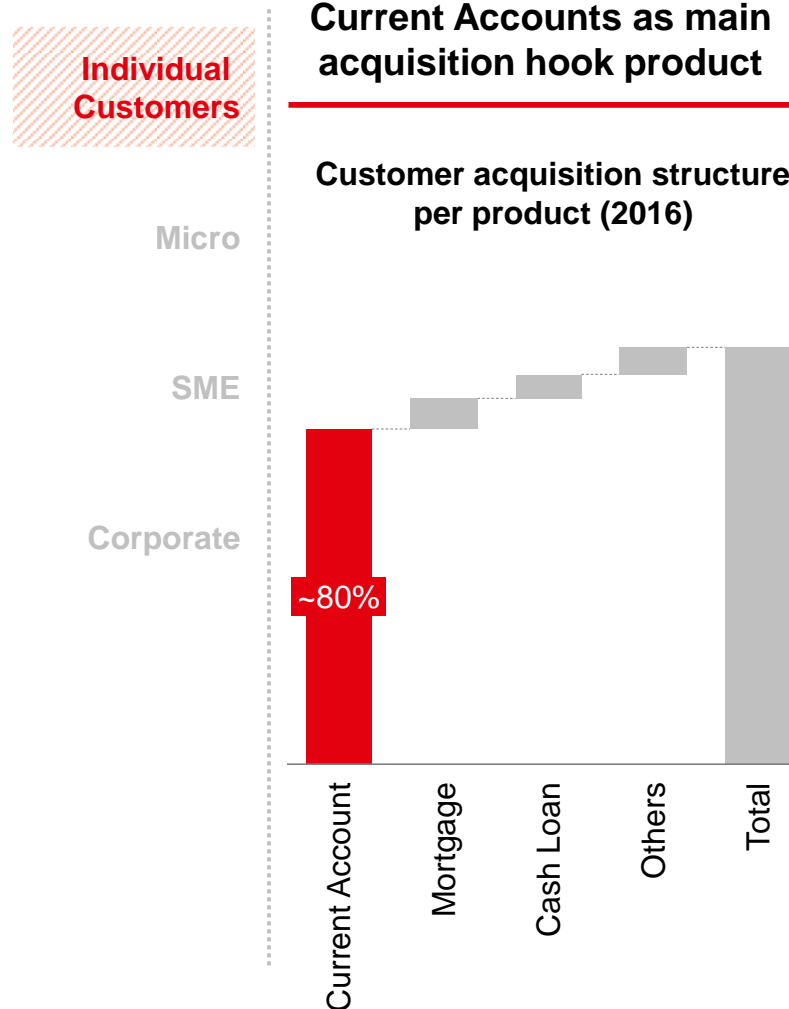


Individual Customers: Pekao as the **primary relationships** bank delivering **outstanding quality** and **Customer appreciation**

Individual Customers		Vision and key elements	Ambitions ¹
Micro	1	<p>We will be a growing bank of primary relationships...</p> <ul style="list-style-type: none"> Focus on acquisition and new, simplified product offer Leveraging the potential of PZU Group's ~15m Customers Outstanding quality and convenience in daily banking (such as PeoPay) 	<p>400k</p> <p>New Current Accounts each year²</p>
SME	2	<p>...and will perfectly understand our Customers needs</p> <ul style="list-style-type: none"> Leveraging advanced CRM analytics and behavioural segmentation to maximize cross-selling potential of the Customer base Leading position in investment and insurance products 	<p>Increase from ~7% to ~10%</p> <p>Share of cash loan market³</p> <p>Currently 1.5x 2020 Investment assets</p>
Corporate	3	<p>We will continue developing our remote channels...</p> <ul style="list-style-type: none"> Implementing online E2E current account sales process Leveraging real-time analytics engines Online investment platform Providing comprehensive multichannel solutions 	<p>>2.5x</p> <p>Currently Remote channels' PEX sales 2020</p>
	4	<p>... and will increase efficiency of the sales force</p> <ul style="list-style-type: none"> Network is a crucial channel for sales and advisory (Sales Force Efficiency) Redesigning the most vital Customer Journeys for products accounting for ~80% of sales 	<p>+50%</p> <p>Currently Income per employee in the Network 2020</p>

1. Assuming standalone Pekao operations 2. Gross increase 3. Measured in terms of revenues
Source: Proprietary Analysis

Customer acquisition (Current Accounts): New offering and Customer Experience improvement as the basis for future growth



We will revolutionize product offer, Customer Journey and communication...



New offering and marketing

- **New Package of Benefits** for staying with Pekao within daily banking
- Enhanced **product offer and servicing model for Affluent Customers**
- **New Offering for Families with Kids**
- Strengthening the leading position among **Students**



Efficient targeting

- Focus on **acquiring young Customers and defined behavioural segments**
- Leveraging the potential of **synergies with PZU**



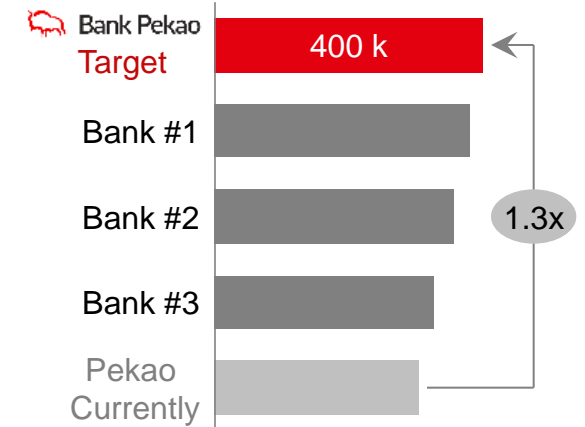
Remote opening process

- Most sales via **branches**, but we will also exploit the potential of **remote channels**
- In 2020 25-30% of Current Accounts opened fully remotely

We will improve Customer Experience, in order to grow even faster

...in order to become the leader in acquisition

Current Account sales (annual)



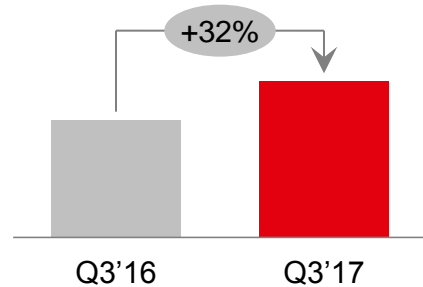
Cash Loans (PEX): We will fully leverage the potential of the existing Customer base

Individual Customers

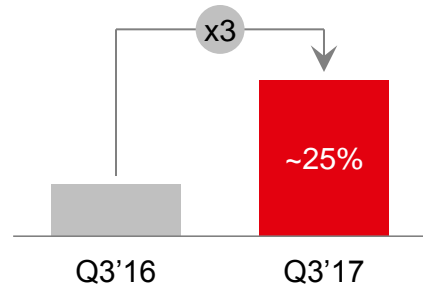
Micro
SME
Corporate

We achieve progressively better PEX results...

Net sales volume



Share of remote channel sales¹



...we have a plan on how to efficiently grow further...



Advanced analytics

- Increasing the range of pre-approvals
- Effectively identifying Customer needs using new data sources
- Leveraging context offers



Increased marketing support

- Stronger focus on remote channels
- More efficient communication of Pekao's product offer attractiveness

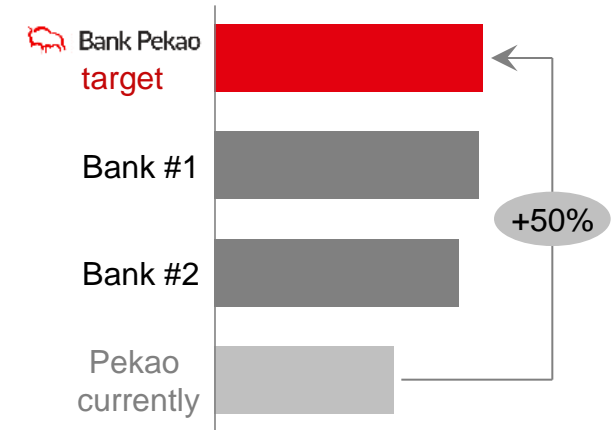


Optimised products and Customer Journeys

- Every Pekao Customer with cash loan payment in less than 10 minutes
- Optimization of product and process
- Insurance offering excellence (cooperation with PZU)

...and fully leverage the cross-sell potential

Cash loan portfolio volume / number of Customers



Efficiency of the most important channel – sales network – key for PEX growth

1. Measured by number of loans
Source: Proprietary analysis

Digital channel will play a major role in sales and service

Individual Customers

Micro

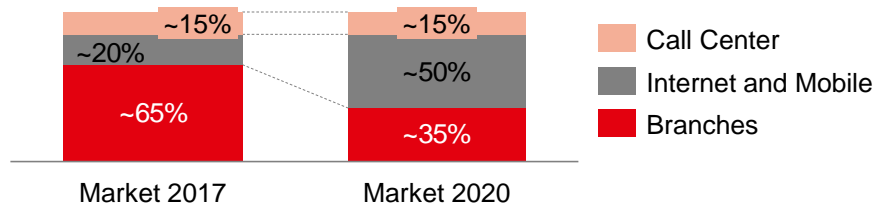
SME

Corporate

PeoPay setting a new standard for mobile banking...

We are prepared to address the changes in Customer behaviour and expectations

Sales structure for cash loans



Our mobile app has been widely appreciated



Bank Pekao



Now **PeoPay** will become a fully-fledged **bank in a smartphone**.

Wyborcza.biz, 11.10.2017

Owners of Current Accounts in Pekao SA **have the easiest way to get a cash loan** within their mobile banking

Rzeczpospolita, 26.10.2017

...and we are planning an even greater development of remote channels



Internet banking

- New internet banking **Pekao24**
- Ergonomic **robo-advisory investment platform** tailored to Customer needs
- Implementation of **Data Management Platform** in order to analyse Customer needs
- **External data use** (3rd party data) for segmentation and behavioural scoring, e.g. via API (PSD II)



Mobile banking

- **Fully remote** opening of accounts e.g. based on eID
- New **payment cards management** possibilities
- **Real-time analytics** enabling just-in-time communication with our Customers

We will unify Customer Experience across all channels – Omnichannel

Pekao close to **Micro** entrepreneurship due to **accessibility and attractive product offering**

	Vision and key elements	Ambitions ¹
Individual Customers		
Micro	<p>1 We want to be close to our clients</p> <ul style="list-style-type: none"> • Servicing clients in all of Bank's branches • Convenience and additional benefits for individual clients having their own business • Insight and knowledge of local markets 	<p>Network of ~900 branches</p> <p>TOP 3 client satisfaction</p>
SME	<p>2 Extraordinary online banking and supplementary features (Value-added services)</p> <ul style="list-style-type: none"> • Majority of products available end-to-end via remote channels (credit and transactional) • Value Added Services platforms supporting client businesses 	<p>95% Active online clients²</p> <p>>50k Clients using VAS</p>
Corporate	<p>3 Financing through a fast and remote process</p> <ul style="list-style-type: none"> • Loan decisions within 1 day • Online end-to-end credit process for current and new customers 	<p>80% Automatic credit decisions</p>
	<p>4 Efficient Sales Force</p> <ul style="list-style-type: none"> • Process automation and enhancing the sales force • Leveraging scale and geographic footprint in Customer acquisition 	<p>+40% Rev / FTE in the Network</p> <p>+90% Client acquisition</p>

1. Assuming standalone Pekao operations 2. Clients with active online banking

In SME dynamic growth due to vast coverage, new acquisition model, high quality and simple processes

		Individual Customers	Micro	SME	Corporate
		Vision and key elements			
	1	We will be a growing bank of primary relationships	<ul style="list-style-type: none"> SME centres' location aligned with market potential and needs (new centres in "white spaces", consolidation of selected locations) Mobile Advisers and Product Specialists 		
	2	Fast growing driven by acquisition of new relationships	<ul style="list-style-type: none"> Support of a dedicated acquisition team Advanced analytics used in selection and offering (including use of transaction data as well as leasing and factoring) Fast and efficient onboarding process 		
	3	Strong relationships due to cross-selling culture	<ul style="list-style-type: none"> Strong understanding of needs utilizing advanced analytical tools Rich offering on e-banking platforms New product specialist support model 		
	4	New service model via simple and light processes	<ul style="list-style-type: none"> High usage of remote channels in servicing; decreasing salesforce workload related to admin Processes more convenient for the client and requiring reduced effort due to digitization 		
	5	Simple, convenient financing ensuring secure development of the segment	<ul style="list-style-type: none"> Big Data in credit assessment Simple and transparent credit process New work model for Business and Risk, ensuring development and portfolio quality 		
		Ambitions¹			
				<ul style="list-style-type: none"> ~60 SME centres ~900 Cash services in Pekao branches Specialised Adviser within <20-30min from ~80% of companies in Poland 	
				<p>Annual client growth</p>	
				<p>Clients with ≥ 3 product groups</p>	
				TOP 3 client satisfaction Leveraging robotic process automation	
				<p>Credit decision time</p>	

1. Assuming standalone Pekao operations

Strengthening leading position in **corporate banking** by focusing on **client relationship developing** and leveraging unique **know-how**

		Vision and key elements	Ambitions ¹
Individual Customers	Micro	1 Bank of first choice <ul style="list-style-type: none"> Leading relationship bank Comprehensive servicing of clients, adequately to their needs Delivering structured financing products, with robust profitability for the whole relationship 	<p>Income per relationship in Corporate</p> <p>Currently → +20-30% → 2020</p> <p>Investment banking income</p> <p>Currently → >2x → 2020</p> <p>Leader in supporting Polish companies in international expansions</p> <p>Bank Pekao</p> <p>1</p>
		2 New service model leveraging scale and advanced analytics <ul style="list-style-type: none"> Applying proprietary and comprehensive sectorial knowledge in clients' servicing Leveraging position and scale as market leader to offer customization and targeted risk management driven by advanced transactional and market data analytics (from all segments) 	
	3 Leader in investment banking for Polish corporations <ul style="list-style-type: none"> Strong DCM growth – setting new market standards Supporting growth and/or generation change in Polish enterprises (M&A, ECM), including mid-market Dedicated team servicing IB products and closely working with Corporate Advisers 		
	4 Supporting Polish companies in developing their international businesses <ul style="list-style-type: none"> Building presence on key markets for the Bank's clients Financing and advisory for international expansions Supporting companies in their operations on foreign markets 		
Corporate			

1. Assuming standalone Pekao operations

Smart growth: **directions** for key segments

Targeted focus on areas of growth and areas for profitability improvement

Different growth levers depending on segment and products¹

	Acquisition	Profitability improvement
Retail	Current Accounts growth x2 faster	+50% PEX penetration +100% Bancassurance penetration
Micro	Customer growth x3 faster	
SME	Customer growth x2 faster	+35% Income per client due to cross-selling
Corporate		+30-40% Income per client due to cross-selling

Profitable growth is our goal

- **Greater focus on profitability of relationships** – strong growth in credit volumes only in **profitable segments / products**, in which Pekao's potential has not been realised
- **Acquisition** of new clients in **promising segments**, where Pekao has a relatively smaller share
- Focus on **value maximisation** in segments, where Pekao's position is already strong

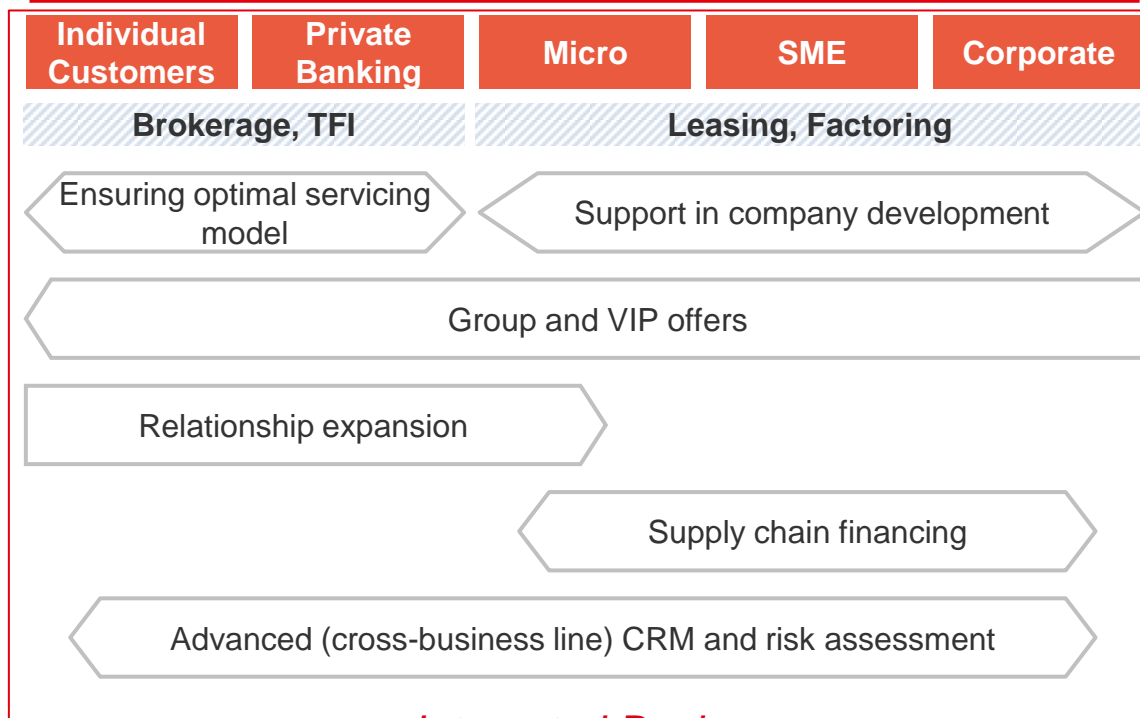
We are already seeing success

- ✓ **Retail:** +33% net PEX sales in Q3 y/y
- ✓ **SME:** +10% loan volume in Q3 y/y
- ✓ **Corporate:** Participation in the largest LBO in recent years

1. Forecast effects in 2020 compared to 2016, assuming standalone Pekao operations

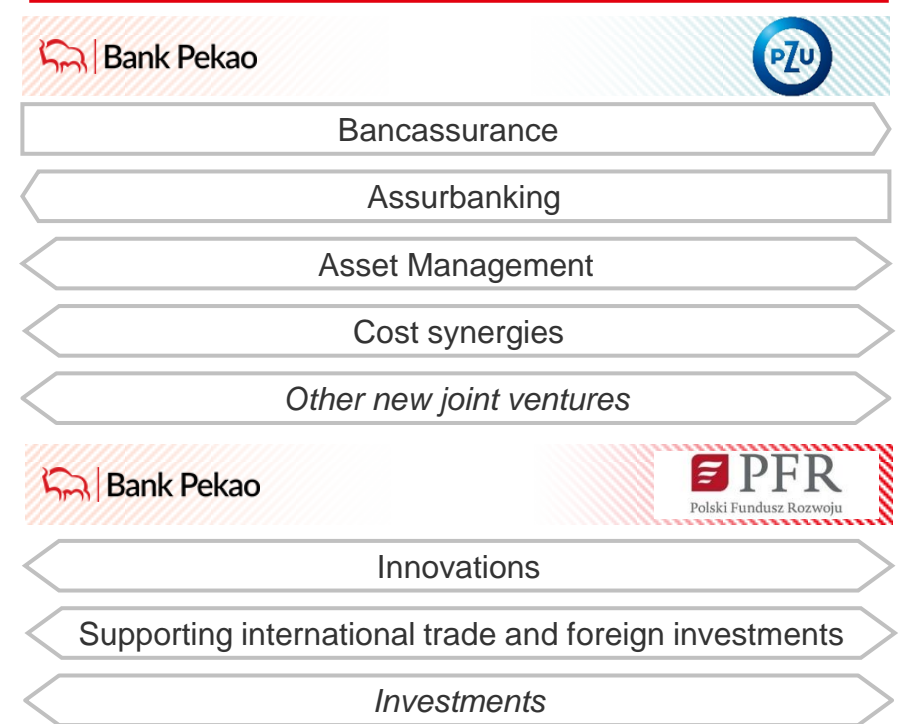
We want to fully leverage the potential of the **integrated universal bank** and **synergies with PZU and PFR**

Synergies between Customer segments



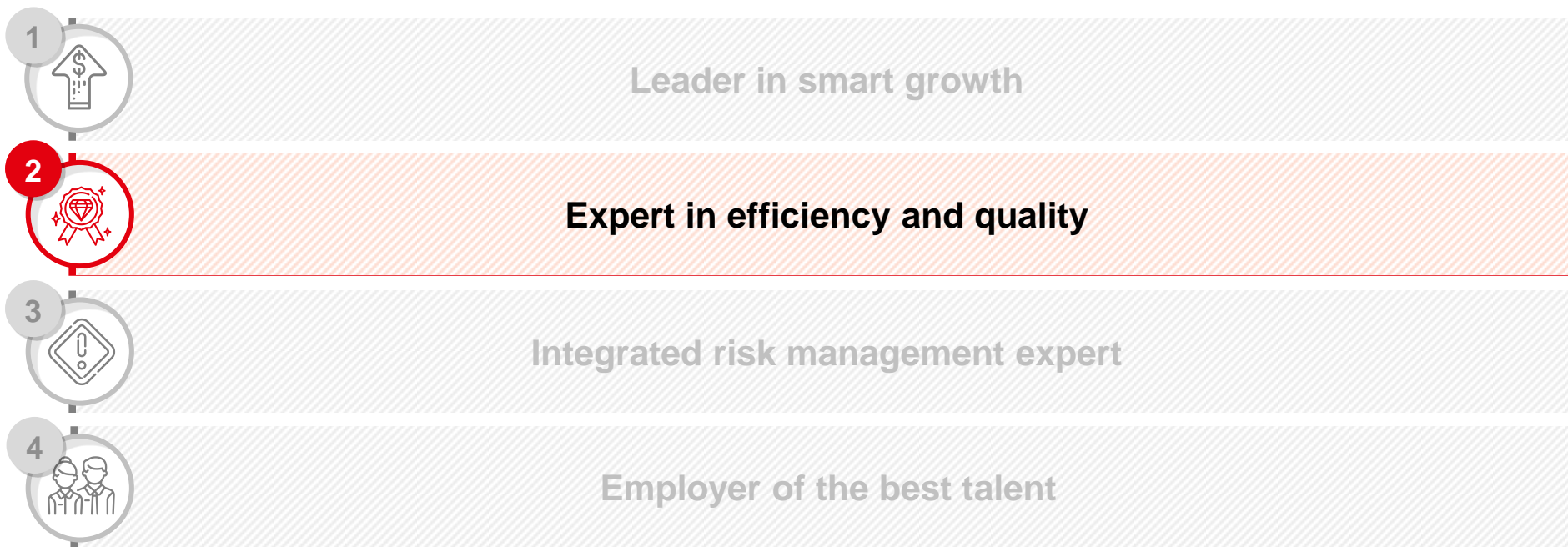
Integrated Bank

Synergies with PZU and PFR



We will also look for possibilities of cooperation / patronage / partnerships with other entities, such as FinTechs

Business priorities for 2020



Optimisation and digitisation of processes and sales network will enable Pekao to be the leader in efficiency and quality of service

Commercial efficiency

High efficiency and orientation towards value creation in **traditional sales channels...**

...further development and promotion of **remote channels**

Optimised, paperless front-office processes

Sales efficiency and target orientation

New branch model and format

Outstanding remote channels

Cost efficiency

Centralised back-office focused on efficiency...

...smaller workload due to **robotic process automation and digitisation**

Back-office centralisation and specialisation

Operations simplification and automation; efficient tools

Paperless

Efficiency monitoring

Quality of service

Outstanding Customer Experience in key products crucial for the strategy's success...

...level of quality at least **on par with the market** in other lines

Outstanding Customer Journeys

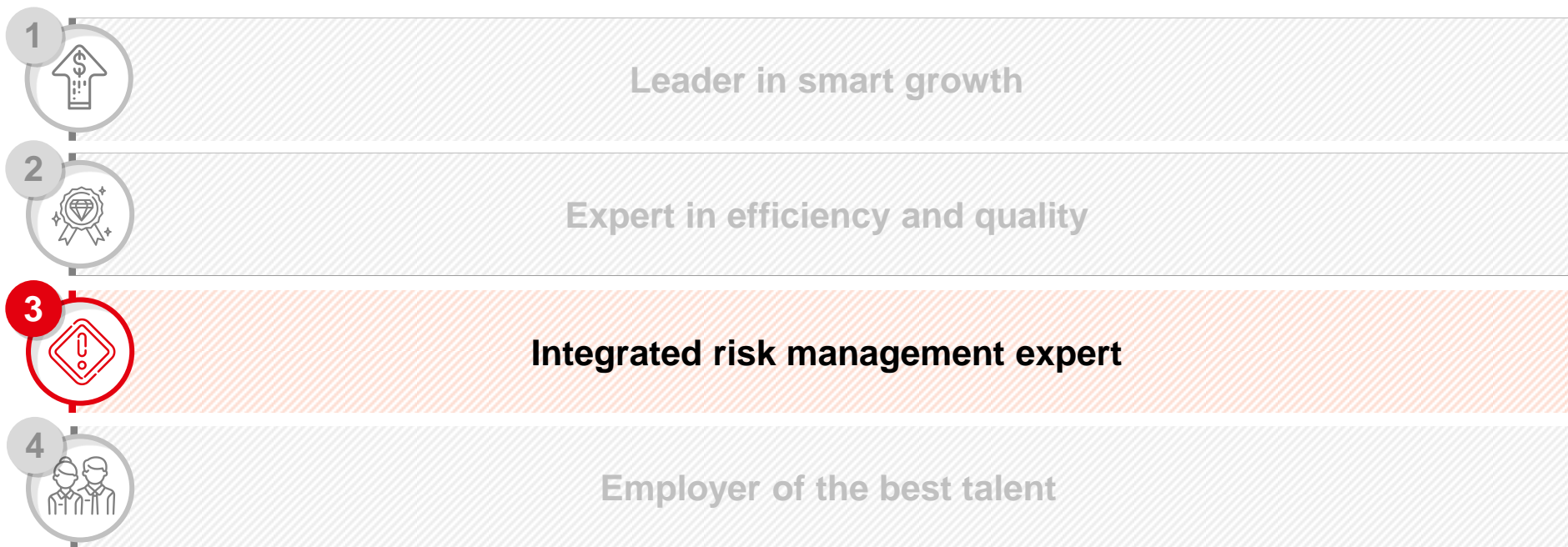
High service standards

Customer Experience monitoring

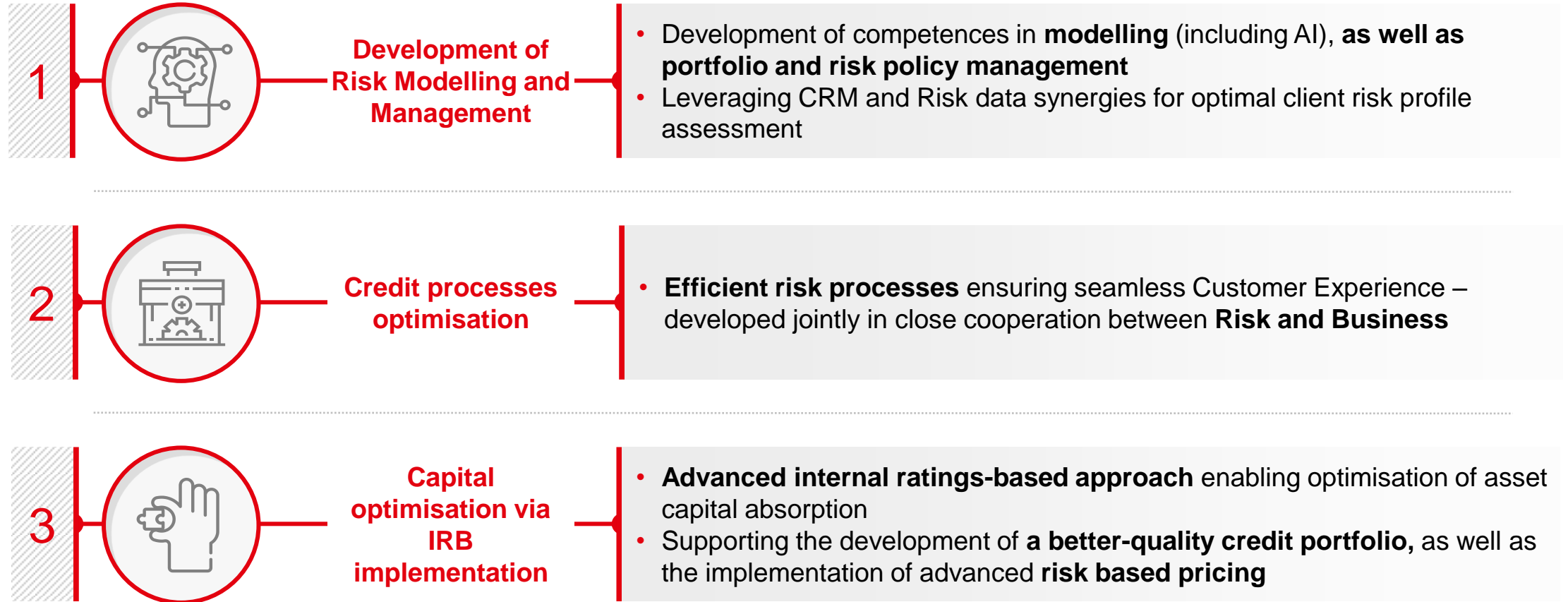
Customer Experience systematic improvement programme

In 2018-2020 we assume increased expenditures on digital transformation; we plan greater than before share of spending on Development vs Maintenance





Business priorities for 2020



Risk Management is crucial for business transformation and safe growth



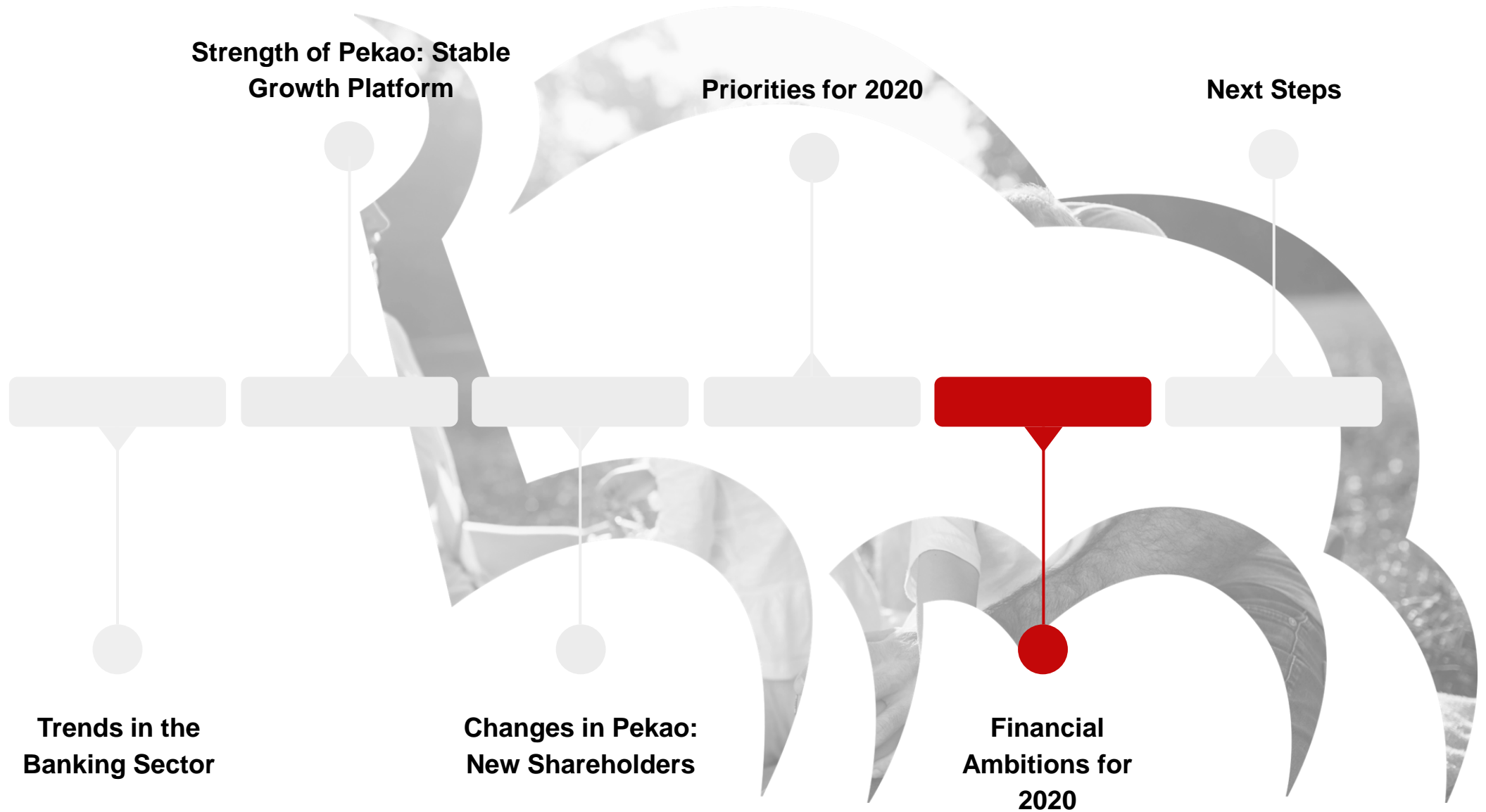
Business priorities for 2020

-  **1** Leader in smart growth
-  **2** Expert in efficiency and quality
-  **3** Integrated risk management expert
-  **4** **Employer of the best talent**

As employer we will focus on developing **the best competences** and efficient cooperation



Key role of HR in engaging the employees in strategy implementation



Strategy implementation will enable us to achieve **ambitious financial aspirations**

Strategic financial ambitions: 2020¹



One of the highest **ROE** in the Polish banking sector: **14%**²

- Building value for shareholders



C/I on par with efficiency leaders: **<40%**

- Increasing cost efficiency



Leader in **profit growth** among large banks: **> PLN 3B net profit**

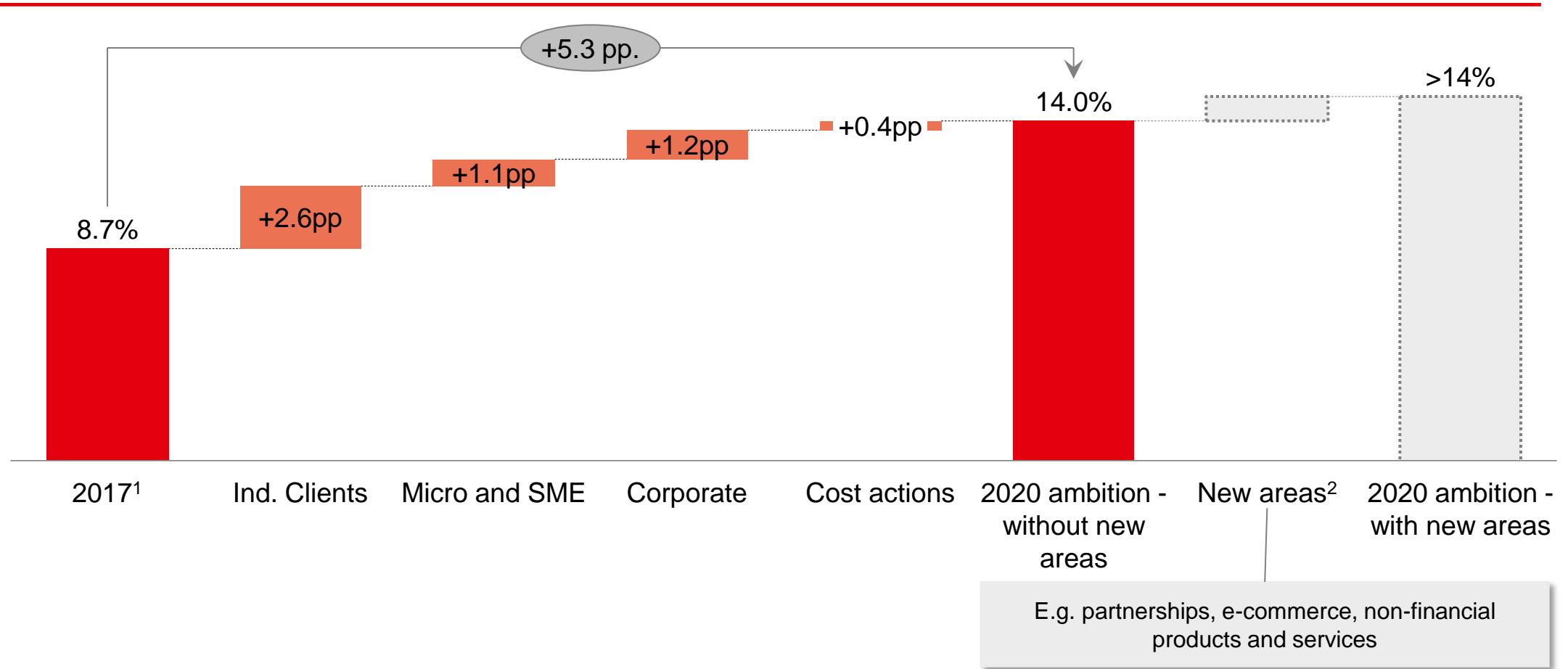
- Profitable growth

Standalone vision of Pekao – non-organic growth might lead to even better results

1. Assuming interest rate growth of 125 bps until 2020 and no significant changes in the regulatory environment 2. With Tier1 at the end of 2020 at ~14.5%

Smart growth and efficiency improvement will allow achieving **one of the highest ROE** in the Polish banking sector

Strategic financial ambitions: ROE 2020

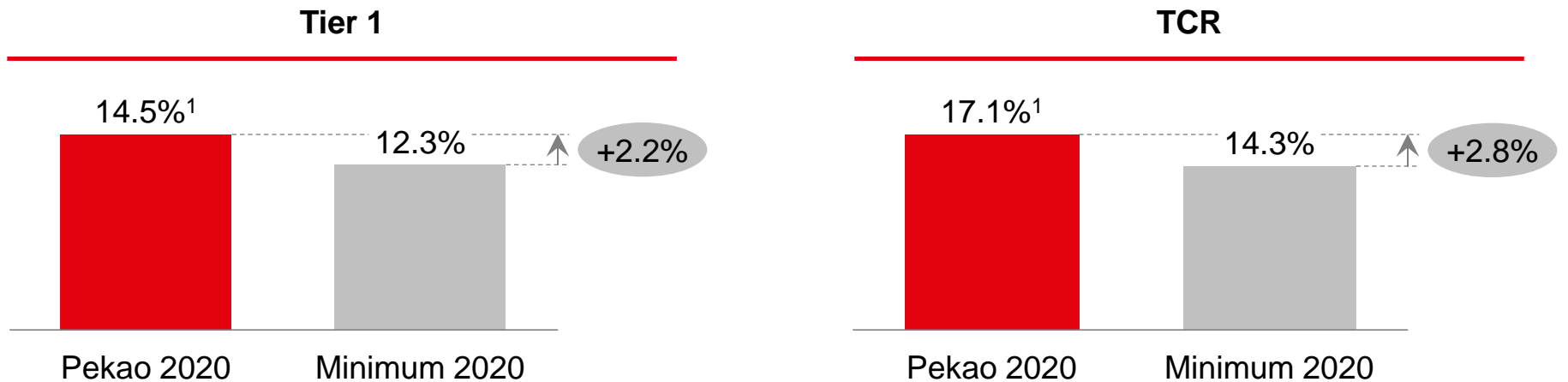


1. Based on 9 months' results 2. New business areas (e.g. partnerships, e-commerce, non-financial products and services for retail and micro Customers), financial effects of which have not been included in the strategic financial plans
Source: Pekao's financial model

Pekao's **capital position** enables planned growth realisation and **sustaining the dividend policy**

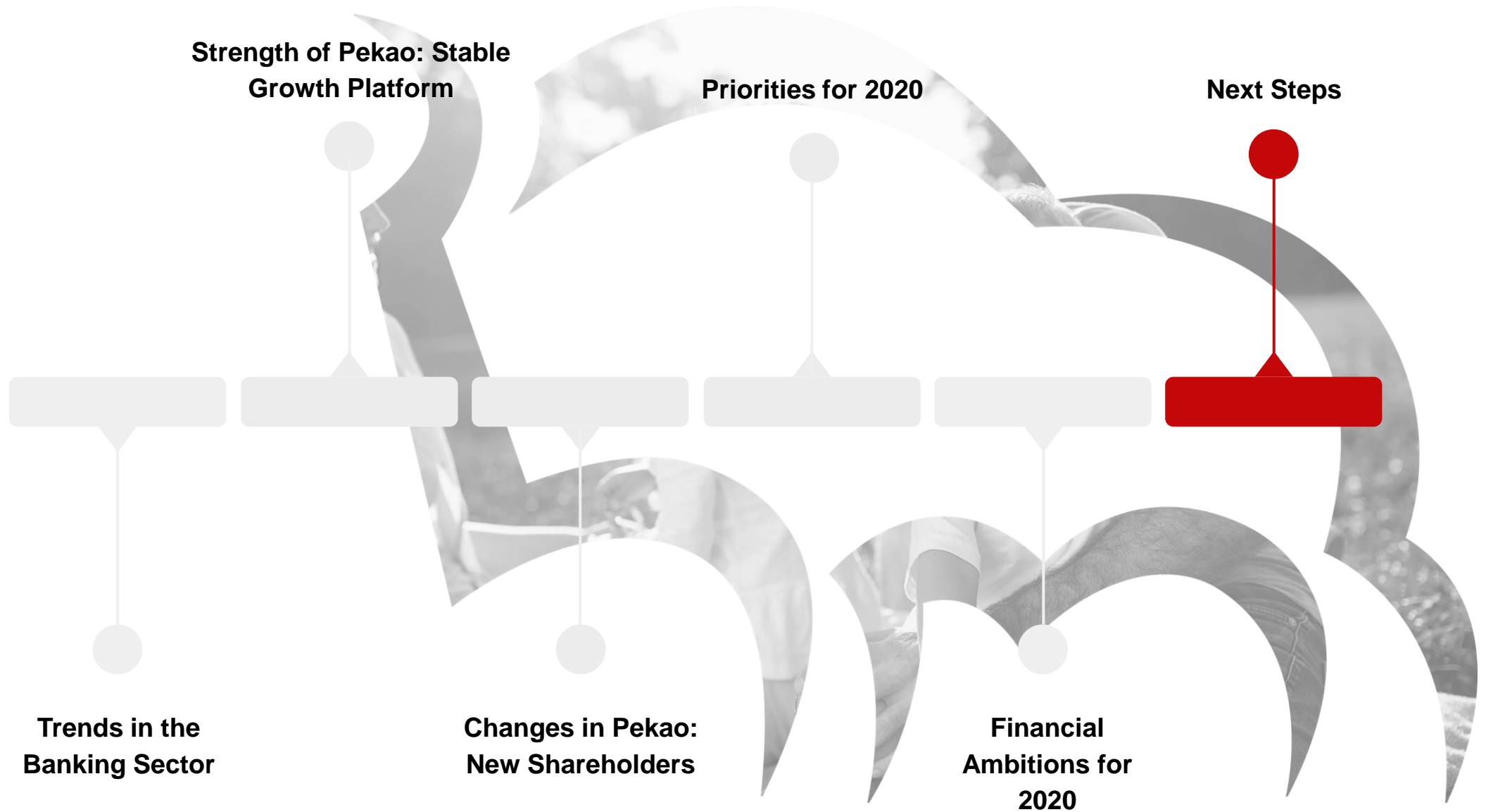
- Capital structure optimisation
- Long-term **Tier 1 > 14.5%**, **TCR > 17%** (fulfilling KNF's high dividend payout criterion)

Capital policy



Dividend policy

- Current **capital position enables dynamic growth** of the business
- Assumed **payout of ~100% of net profits for 2017 and 2018²**
- Bank's M&A activity may require changes to the dividend policy



We have a **strategic work plan** for the next 3 years

We have clear goals and priorities



Leader in smart growth



Expert in efficiency and quality



Integrated risk management expert



Employer of the best talent



Non-organic growth options

We have clear plans on how to realise them



Implementation initiatives defined



Roadmaps and plans for each segment and support function prepared



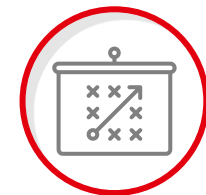
Detailed financial model



Goals will be reflected in staff MBOs

Implementation is the next step

Operationalisation of implementation initiatives



New Management Board: guarantee of strategy realisation



Michał Krupiński

*President of the
Management Board*



Roksana Ciurysek-Gedir

*VP of the Management Board
supervising the Private Banking
Division¹*



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Marek Lusztyń

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Tomasz Styczyński

*VP of the Management Board
supervising the SME Banking
Division*



Marek Tomczuk

*VP of the Management Board
supervising the Retail Banking
Division*

1. Roksana Ciurysek-Gedir has been announced as the Vice-Chairwoman of the Board as of January 1st, 2018. and has not been involved in devising the new strategy

Appendix: macroeconomic assumptions

	2017	2018	2019	2020
GDP (real change y/y %)	4,3	3,8	3,3	3,2
Investments (change y/y %)	4,4	8,5	7,0	5,0
Inflation (CPI) (y/y, end of period)	1,8	2,4	2,5	2,5
Average salary ¹ (change y/y %)	5,5	7,2	6,5	6,0
Reference rate (%), end of period	1,50	1,75	2,50	2,75
WIBOR 3M, end of period ²	1,75	2,00	2,80	2,95
Public finance sector balance (% GDP)	2,5	2,8	2,5	2,0
Loans (change y/y %)	5,0	6,1	5,2	4,6
Deposits (change y/y %)	5,0	6,4	6,2	5,8

1. Enterprise sector 2. Average for December
Source: Proprietary analysis

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