

Dear Shareholders,

2019 was yet another year of a significant progress and many successes achieved by Bank Pekao on the path of execution of its strategy „Strength of the Polish Bison”. The strategy was built on profitability enhancement owing to leveraging market position in key retail banking and SME segments, while maintaining the position of undisputed leader in corporate banking and continuous improvement of operational efficiency supported by technological transformation.

Management Board of Bank Pekao has fully delivered on ambitious operational and financial goals set for 2019, which take the Bank a significant step closer to a full implementing of strategy in 2020, defined in key financial targets: increase in profitability to 11-12% RoE and improvement in efficiency to 40%. Supported by a solid economic growth rate at 4% y/y Bank Pekao has continued strategy of capturing market share gains in areas of the highest profitability potential. Thanks to the highest rate of asset growth in 5 years, the Bank has delivered the highest growth of commercial revenues in a decade, with a strong performance recorded across all business segments. While progressing with its intelligent growth strategy, Bank Pekao traditionally remained one of the most efficient banks in terms of cost dynamic, which helped reducing cost to income ratio to 41%, on a clear path to reach strategic goal in 2020. Cost of risk reached 43 basis points, which again demonstrated the Bank’s leading position in risk management among large Polish banks. Strong results in terms of revenue and cost dynamic, yet again helped increasing recurring net profit by 10% y/y while maintaining double digit recurring RoE. Naturally, strong financial performance achieved once again by Bank Pekao is not the only perspective of its successful strategy implementation that we are satisfied with. Demonstrating again its long-standing track record of innovation, Bank Pekao has implemented a number of innovative solutions last year, which cemented its position as one of the leaders in digital transformation of the entire banking sector. Already today, innovations by the Bank have a tangible impact on the business development through record acquisition in all business segments, as well steady and significant growth of customer activity in remotechannels.

The cooperation between Bank Pekao and companies of PZU Group in 2019 demonstrated tangible progress and benefits in the area of bancassurance and assuredbanking, which has gathered a significant pace in just the two years since strategic changes in Bank Pekao’ shareholding. At the same time, a vast number of commercial projects between both institutions show an unexploited potential in delivering revenue and cost synergies in the future. We believe that a further strengthening of this cooperation will contribute to financial performance and implementation of the strategy in 2020.

We assess positively the activities of the Management Board of Bank Pekao not only in the consistent and effective implementation of the Bank’s strategy, but also in the financial and operational situation of the Bank in 2019. Despite good economic prospects, 2019 was a demanding year for the Polish banking sector and its ability to lift profitability. On the one hand, the sector shouldered significant regulatory costs related to the increase in Bank Guarantee Fund contributions in the first quarter. On the other hand, as a result of the CJEU rulings in the third quarter with respect to foreign currency mortgage loans and consumer loans, Polish banks were required to establish risk provisions, in some cases significant, which affected profitability of the sector in the second half of the year. While in such conditions no bank came away completely unscathed, Bank Pekao once again demonstrated that by maintaining a conservative approach to risk management and with responsible approach to clients, it managed to large extent avoid costs associated with the CJEU rulings. I also believe that with significant digital and operational transformation that Bank Pekao has been undergoing on the path of strategy execution, client interest first and strong competence in balance sheet and risk management will remain in the DNA of Bank Pekao for years to come.

Writing about 2019, I could not forget about a vast agenda with regards to operational transformation that the Bank continued in 2019. In the era of radical changes reshaping banking sector not only in Poland but around the world, the ability to adapt to digital reality, where more of our clients are already there, will be the key to future success. Many times, and Bank Pekao was no exception, it means headcount optimization, which is the most difficult part of the change process. That is why, together with the entire Supervisory Board, we attach a great importance to the Bank’s social efforts and the dialogue with key stakeholders, including its employees, whose support was critical in delivering on the Bank’s transformational agenda in 2019.

As the Supervisory Board, we attach great importance to the sustainable and responsible development of Bank Pekao. And for that reason, we also want to emphasize the critical role of the Bank in the responsible development of the Polish economy and in the energy transition of its clients. A number of activities carried out by the Bank based on ESG (Environment, Social Responsibility and Corporate Governance) principles over the past year showed that Bank Pekao may be not only one of the leaders in the sector thanks to scale, profitability and innovation but can also successfully drive vast ESG agenda, which clearly fits into business strategy of the entire PZU Group. As the Supervisory Board, we will support Bank Pekao in further improving its competences in the area of ESG and in even stronger emphasis on sustainable development policy in both commercial and operational aspects. Together with the entire Supervisory Board, we are confident, that Bank Pekao will continue strengthening its position of a prominent banking institution in Poland. The Bank's growth strategy will be inclusive for all stakeholders helping the Banking leveraging its market position while enabling a sustainable value creation for its clients, employees and last but not least shareholders.

On behalf of the Supervisory Board, I would like to thank the Management Board and all employees of the Bank and Bank's Capital Group for their commitment and relentless focus in achieving ambitious goals. I would also like to thank all Banks' stakeholders for their confidence in the Bank. The supervisory board will ensure that all decision taken by the Management Board of Pekao build value for all shareholders of the Bank and that Pekao meets highest regulatory, corporate governance and ethical standards.

Paweł Surówka,
Chairman of the Supervisory Board of Bank Pekao S.A.

