

Letter from the President of the Management Board to shareholders

Dear Shareholders,

2025 was another successful year for the banking sector in Poland and for the Bank Pekao Group (Bank Pekao, Bank). The banking sector recorded a record annual profit, estimated at over PLN 45 billion, and **Bank Pekao generated its highest ever net profit amounting to PLN 7.0 billion**. A key factor in this was the level of interest rates and a stable interest margin, which, combined with growing volumes thanks to the Bank's commercial activities, significantly translated into profitability.

The banks' interest margin was positively impacted by the sector's excess liquidity; the excess of deposits over loans enabled them to maintain their interest margin despite the decline in interest rates. Interest income from bonds contributed to net interest income. The favorable economic climate and the situation in the labor market supported low risk costs. Individual entities, industries, and sectors affected by idiosyncratic problems did not have a significant enough impact on the quality of business and corporate loans to significantly impact the cost of risk.

The rapid decline in inflation paved the way for interest rate cuts, and after a nearly two-year hiatus, the Monetary Policy Council (MPC) returned to a cycle of monetary easing, lowering interest rates by 1.75 percentage points, from 5.75% at the beginning of 2025 to 4% at the end. **The interest rate cuts were concentrated in the second half of the year, so banks' revenues and results do not fully reflect their negative impact. The lower the level of interest rates, the greater the sensitivity to interest rate changes.**

We forecast that economic growth will accelerate to 4.0% in 2026. This will be driven by deferred investments – particularly public investments – as well as private consumption and exports. A significant factor in economic growth and lower inflation is a certain improvement in labor market equilibrium and the consequent slowdown in wage growth. Inflation will fall below target, allowing the Monetary Policy Council (MPC) to continue its monetary policy easing cycle. We forecast that **the MPC will end its monetary policy easing cycle in the first half of this year, lowering interest rates to 3.25%.**

We expect **demand for bank financing to increase, and 2026 will be a year of acceleration in all important credit categories, especially corporate credit**, thanks to the boom associated with the National Recovery and Resilience Plan (KPO).

Although the banking sector remains a key source of financing for the economy – accounting for over 80% of external financing for businesses – its capabilities are not limitless. In the context of large infrastructure projects, the ability of the domestic banking sector to finance these projects remains a challenge. Due to the size of the banking sector, domestic banks' share in financing the largest investments (nuclear power plant, Port Polska Airport) will be limited to approximately one-third to one-half of the funds required.

Bank Pekao has an important role to play here. **Bank Pekao's outstanding and unique expertise in corporate financing positions it well for the investment cycle. For the largest transactions, the Bank's appetite may be curbed by constraints and limits resulting from its capital endowment.**

Against this rather positive background, however, there are several negative phenomena observable in the banking sector that raise my concerns for the future:

- **legal instability** in the area of contractual and tax relations. The uncertainty of the legal environment has two dimensions – the first concerns the costs of legal risk, and the second concerns the limited predictability of national regulations. This regulatory instability hinders the development of long-term strategies for developing financial services offerings due to the potential for unexpected costs,
- high and growing **share of government bonds on banks' balance sheets**,
- growing **level of social acceptance of consumer abuse in the financial sector**,
- **disproportionate consumer protection** – both at the pan-European and domestic levels, regulations and their enforcement practices lead to a lack of equality of parties in contractual relations between banks and their clients. This forces banks to bureaucratize documentation of customer relationships and contributes to the creation of a lucrative legal business,
- persistent **uncertainty surrounding the reform of interest rate benchmarks (WIBOR)**,
- **an increase in the CIT rate for banks to 30%** – a significant portion of banks' costs, and primarily the bank tax, do not constitute costs under tax regulations, thus **the effective corporate income tax rate for banks will therefore be ca. 40-50%**,

- **the banking sector's limited ability to rebuild its capital base** – in a situation of declining profitability, higher taxes, and dividend payments, banks will be able to rebuild their equity capital to a limited extent,
- early **refinancing of mortgage loans with periodically fixed interest rates**, in the absence of an institutional system ensuring the adequacy of the benefits and costs of such refinancing, will inevitably lead to costs that will unjustifiably burden a certain group of banks or customers,
- given **the large scale of excess liquidity in the banking sector, fierce competition, and questionable competitive practices reduce interest margins on corporate financing** to levels where there is less and less room to account for credit risk at a rational level,
- **the flawed design of the bank tax**, which makes its amount dependent on assets and penalizes the development of lending, while encouraging corporate borrowers to finance incurred under other regulatory and legal regimes, excluding Polish banks,
- **a potential decline in the rate of return on capital to around or below the cost of capital** – as a reminder, although the nominal numbers may be impressive, the sector employs over PLN 300 billion of equity capital, with the cost of capital currently estimated at approximately 12%. As recently as 2020, the sector was struggling to generate positive results, and over the past decade (since 2015), it has achieved profitability above the cost of capital only in 2024.

The lack of understanding of the need for adequate capitalization in the banking sector may prove to be a significant limitation in financing the development capacity of the Polish economy in the coming years.

The Bank's Financial Results

The Bank's operating income in 2025 amounted to PLN 17.2 billion, 7% higher than the previous year. Both net interest and fee and commission income contributed positively to this growth. Net interest income reached PLN 13.7 billion, 6% higher, thanks to higher volumes and a stable interest margin. **Compared to its peer group, the Bank is relatively less sensitive to interest rate changes. Net fee and commission income in 2025 amounted to PLN 3.2 billion, 11% higher** than the previous year, growing in all categories, but primarily in the mutual fund, brokerage and investment banking.

Operating costs, despite increased spending on digitalization and marketing, remained under control. In 2025, they amounted to PLN 5.5 billion (excluding the Bank Guarantee Fund), 5% higher than the previous year. Payroll costs decreased by 1% year-on-year,

primarily due to variable costs, while employment in the Capital Group decreased by 2%. Other administrative costs, including depreciation and amortization, increased by 17% year-on-year, primarily due to higher depreciation, IT and marketing costs, and lower real estate costs. Bank Guarantee Fund (BFG) contributions increased significantly, by 61% year-on-year.

Net provisions for expected credit losses decreased to PLN 0.8 billion, a 14% year-on-year decrease. Risk costs amounted to 0.39%, a decrease of 0.09 percentage points compared to the previous year. Bank tax-related costs amounted to PLN 0.9 billion. Corporate income tax (CIT) was PLN 1.9 billion, with the tax being PLN 0.5 billion higher due to the impact of costs that are not included in tax expenses under tax regulations. The change in tax rates (from 19% to 30%) resulted in a one-time reduction of the tax by PLN 0.2 billion in 2025. The effective CIT rate was 22%, but without the one-time impact of the rate change, it would have been 24%.

In 2025, the **Bank Pekao Group generated PLN 7,019 million in net profit**, of which PLN 7,015 million was attributable to Bank Pekao shareholders. The return on equity (ROE) was 21.4%. Distributable **standalone profit**, from which a dividend will be paid depending on the shareholder resolution, **amounted to PLN 6,922 million**.

2025 brought strong growth in lending. **The volume (balance) of retail loans increased by 5% year-on-year to PLN 88 billion**, including cash loans, which increased by 13% year-on-year to PLN 14 billion, and mortgage loans, which increased by 4% year-on-year to PLN 70 billion. **The corporate loan portfolio recorded higher growth dynamics in 2025, increasing by 11% year-on-year to PLN 114 billion**, with MID and SME loans increasing by 13% year-on-year and corporate loans by 10% year-on-year.

Market Position

Despite growing and intensifying competition – new players have emerged, and banks most affected by the problem of foreign currency mortgages have returned to the game – **Bank Pekao has begun the process of rebuilding market share in key segments from profitability standpoint**. The bank's market shares in loan balances at the end of 2025 were as follows:

- PEX (cash) 7.3% (+0.2 percentage points year-on-year),
- mortgages 13.4% (-0.2 percentage points year-on-year),
- corporates 15.1% (+0.7 percentage points year-on-year).

Mortgage loans, where the Bank's share is declining slightly, are attracting attention, particularly the phenomenon of early repayments in periodically fixed-rate loans. The demographic structure of the Bank's client base – an overrepresentation of older and younger clients – necessitates offering these loans to clients outside the Bank. We regained our leading position in Factoring and advanced one position in Leasing. 2025 should be considered a good year for investment product sales – record sales of investment products. I expect we will be able to maintain and consolidate these trends in 2026.

In 2025, the Bank organized the issuance of non-treasury debt securities (corporate, bank and municipal) for a total amount of PLN 62 billion.

The Bank has received numerous awards and distinctions. Our activities in corporate finance, investment banking, and trade finance have been recognized by Global Finance as "The Best Investment Bank in Poland for 2025," "The Best Bank for Sustainable Finance in Poland for 2025," "Best Trade Finance Provider in Poland," and for the thirteenth time, the bank received the "Best Sub-Custodian Bank" distinction, confirming Bank Pekao's stable position as a leader in the Polish custody services market and the high quality of its services.

The results of the EBA *stress tests* were a positive surprise, finding Bank Pekao the most resilient to negative macroeconomic scenarios in Europe out of 64 covered by the study.

Most importantly, we received a higher rating from our clients. We were ranked 5th in the benchmark (an increase of two positions in the ranking at the end of 2025 compared to the previous year) for individual clients, with an NPS score of 15.

Dividends and Capital

Bank Pekao has a long tradition of paying dividends. **Over the past quarter-century, only in two (exceptional) years has Bank Pekao not paid a dividend; in fact, it was postponed and paid in a different year.**

The dividend policy, set out in Bank Pekao's Strategy for 2025-27, assumes maintaining a high dividend rate of 50-75% of net profit in each year of the strategy's duration.

Last year, in accordance with a resolution passed by shareholders, Bank Pekao paid 75% of its dividend. We allocated PLN 4.8 billion of generated profit for dividends and retained PLN 1.6 billion in the Bank as reserve capital.

In 2025, Bank Pekao successfully completed three eurobond issues with a total value of EUR 1.5 billion, placing them on exceptionally favorable terms for the Bank. Very strong investor demand and attractive valuations confirmed the market's confidence in our strategy and capital position. We intend to continue as frequent issuer.

As a result of the Bank's commercial activity and increased lending, risk-weighted assets increased by 8% year-on-year.

In Q3 2025, the countercyclical buffer increased by 1 percentage point and it will increase by another percentage point in 2026. As a result, the total capital requirement for the Bank at the end of the year will be 13.5% – with other buffers remaining unchanged.

Strategy

At the beginning of last year, we **on our own** developed a short-term strategy for 2025-27, titled "The only way is up". We adopted it in April and consistently strived to implement all three pillars in the following months:

- **GROWTH** through dynamic loan growth and customer acquisition (especially young customers),
- **ACCESSIBILITY**, focusing on strengthening mobile banking and developing conversational banking,
- **EFFICIENCY**, ensuring high profitability and operational effectiveness.

One could say that the "directions of attack" have been set, and from this perspective, the past year was a period of acceleration.

Reorganization of the PZU and Pekao Groups

In June 2025, steps were announced to **reorganize the PZU-Pekao Group (conglomerate), with the intention of freeing up significant capital exceeding PLN 20 billion.**

This is a complex and demanding process, involving many stakeholders. As this is not an operational merger but merely a share swap, it requires little resource commitment or attention from the Bank. However, it is important for both groups, and we hope it will be consistently implemented this year.

The potential equity capital released as a result of the reorganization at the conglomerate level, amounting to over PLN 20 billion, makes this transaction impossible to ignore. The possibility of releasing such significant capital demonstrates the scale and attractiveness

of this reorganization. Building the base, or capital surplus, that could arise relatively quickly as a result of the reorganization would take 10-20 years.

The reorganization of the Pekao and PZU capital groups would strategically position the conglomerate (bank and insurer) in line with the dominant European *bancassurance* model, with the bank acting as the parent entity and regulatory preferences for many years into the future.

Environmental and Social Issues (ESG)

In the face of the intensifying geopolitical situation and growing international tensions, I am observing a clear shift in emphasis in the public and regulatory debate. ESG issues – until recently the focus of policymakers, investors, and the public – are gradually giving way to issues related to economic security, supply stability, the resilience of critical infrastructure, and Europe's strategic autonomy.

The years 2024 and 2025 brought a series of decisions that effectively confirmed this trend: the EU's Omnibus packages and the discussion surrounding the simplification of ESG reporting obligations indicate that reducing regulatory burdens and strengthening corporate competitiveness have become a priority. At the same time, pressure is growing to increase defense spending and security-supporting investments, which in practice limits the space for the most ambitious and costly elements of the climate agenda.

However, this does not mean a shift away from ESG, but rather a more pragmatic and balanced approach to its implementation. This is visible both in the regulatory and market spheres: corporate governance and social responsibility issues remain key, while environmental requirements are gradually being rationalized – This is particularly true where previous approaches proved excessively complex or disproportionate to the potential benefits. In this context, a responsible approach to ESG today involves striking the right balance between transformation goals and the realities of an economy operating under conditions of increased geopolitical uncertainty. This means, among other things, the need to consistently manage ESG risks while avoiding excessive bureaucracy and focusing on activities that do not translate into lasting value for customers, shareholders, or the economy.

Please refer to our Sustainability Statement. The report summarizes our sustainable development efforts and demonstrates our commitment to achieving goals related to environmental protection, social responsibility, and corporate governance.

Audit and Irregularities

At the request of the Supervisory Board of Bank Pekao – as part of the review of the Bank's operations – specialized entities conducted detailed analyses of the Bank's operations in recent years, particularly in the areas of marketing, sponsorship, and employee employment.

The findings revealed irregularities, including e.g. the instrumental use of marketing funds, the diversion of funds to politically motivated initiatives, the lack of reliable expenditure control, and the employment of individuals with questionable qualifications.

Most of the above-mentioned reprehensible phenomena did not constitute a direct and obvious violation of public law in a commercial institution such as a bank. A significant portion of them fell within the framework established by Bank Pekao's internal procedures, policies, and regulations. The fact that certain actions did not violate public law does not change their unequivocally negative assessment, both from a moral perspective and from the managerial skills that should characterize management board members and bank managers.

Remedial actions were taken, and their consequences include:

- claims against fictitiously employed advisors,
- lack of discharge recommendations and denial of bonus payments to former management board members,
- denial of deferred bonuses to other involved individuals,
- strengthening hiring and competency verification procedures.

Respecting transparent, non-political principles for the implementation of the marketing and sponsorship budget is the foundation of public trust and the responsibility of a financial institution. Last year, we updated the Group's Code of Conduct. Clear ethical principles help us act in accordance with the seven values we have adopted and which are important to us: **SIMPLY, TOGETHER, BOLDLY, RESPONSIBLY, WITH DETERMINATION, OPENLY, and HONESTLY.**

Summary

The upcoming centennial of Bank Pekao in 2029 is a natural moment when we are laying the foundations for the next decade. Its importance to the organization's identity and marketing potential cannot be overestimated.

It so happens that Bank Pekao is struggling with its own identity, as market research clearly indicates. The actions taken by the bank with the identical phonetic name further encourage us to think proactively and work on a new image to create a new face for the Bank in its relations with customers and the market.

In summary, it was a good year for Bank Pekao, but we must all recognize that market realities, including higher taxation on banks, mean that such results will likely be difficult to maintain in the long run. We remain ready to support businesses, households, and key investments that will shape the future of our economy. Simultaneously, we are closely monitoring regulatory and legal risks that may impact the stability of the sector, actively participating in dialogue with regulators for solutions that support the security and development of the financial market.

I thank our employees for their professionalism and commitment, without which all this would not have been possible. I thank our shareholders for the trust you have placed in us and your belief in the value and development potential of Bank Pekao. I thank the Supervisory Board for their support and good cooperation. Thank you and congratulations to my colleagues on the Management Board.

In 2026, we face many challenges, but also opportunities that we can seize together.

Sincerely,

Cezary Stypułkowski