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PROJECT ORZEŁ

Strategic Assessment of a Potential Combination of PKO Bank Polski and Bank Pekao

Can a Polish banking champion of sufficient scale be created to face Erste Group and UniCredit in Central and Eastern Europe?

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Contents

Figures

Sections marked *[section removed]* in the body are retained in the agreed structure but deliberately omitted at this stage. This report contains no antitrust, competition-law, prudential or other legal analysis; see the Important Notice and Disclaimer on page 2.

0. Executive Summary

0.1 Deal thesis

A combination of PKO Bank Polski S.A. and Bank Polska Kasa Opieki S.A. ("Pekao") would create a bank of approximately **PLN 976 billion in assets** at 30 June 2026 — **EUR 227 billion** at the NBP rate of that date. On the year-end 2025 basis used for regional benchmarking throughout this report, the combined entity would control **EUR 217 billion of Central and Eastern European banking assets**, second only to Erste Group across the entire CEE-16 region.

The case for it is about scale, and specifically about the scale of the competitors now forming in Poland.

Erste Group is already here. Erste Bank Polska (formerly Santander Bank Polska) holds EUR 71.2 billion of assets and is the fifth-largest bank in CEE. Erste Group as a whole controls **EUR 253 billion** of CEE assets across 11 countries — the clear regional leader. On the Warsaw exchange, Erste's Polish subsidiary was capitalised at **PLN 75.1 billion at 31 July 2026, against Pekao's PLN 64.4 billion**.

UniCredit is seeking a full-scale comeback. UniCredit is not a newcomer to Poland — it is a returning owner. It controlled Bank Pekao from 1999 until its exit in 2016–2017, when it sold its stake to PZU and PFR, and it therefore knows the asset, the market and the regulatory environment from the inside. Today its Polish presence is limited to a branch operation of very modest scale. That is evidently not the intended end state: UniCredit has been the most acquisitive large European bank of recent years, and its acquisition of Commerzbank brings with it **mBank** — EUR 65.8 billion of assets, the seventh-largest bank in CEE, and one of the genuine digital leaders of the Polish market. UniCredit controls EUR 135 billion of CEE assets across 10 countries today; with mBank that becomes roughly **EUR 201 billion**, and a Polish franchise of real substance restored in a single step.

Meanwhile, PKO and Pekao compete against each other. Two state-controlled banks, present together in 355 of the 727 localities where either operates, spend their commercial energy taking share from one another. That is a structural gift to Erste and to the future mBank–UniCredit, both of which face a domestic market divided rather than consolidated. The question is not who owns these two banks — neither is realistically for sale — but whether they meet the regional consolidators as one institution or as two competing ones.

The arithmetic of combination is decisive:

CEE-controlled banking assets, 2025	EUR bn	Share of CEE-16
Erste Group	253	10.2%
PKO + Pekao combined	**217**	**8.8%**
UniCredit + mBank (post-Commerzbank)	~201	~8.1%
KBC	174	7.1%
PKO standalone	137	5.5%
OTP	119	4.8%
Pekao standalone	80	3.2%

Without a combination, PKO drops to fourth place in its own region behind Erste, the enlarged UniCredit and KBC — and Pekao sits outside the top ten groups entirely. With a combination, the Polish entity is second, within 14% of Erste and ahead of UniCredit even after Commerzbank.

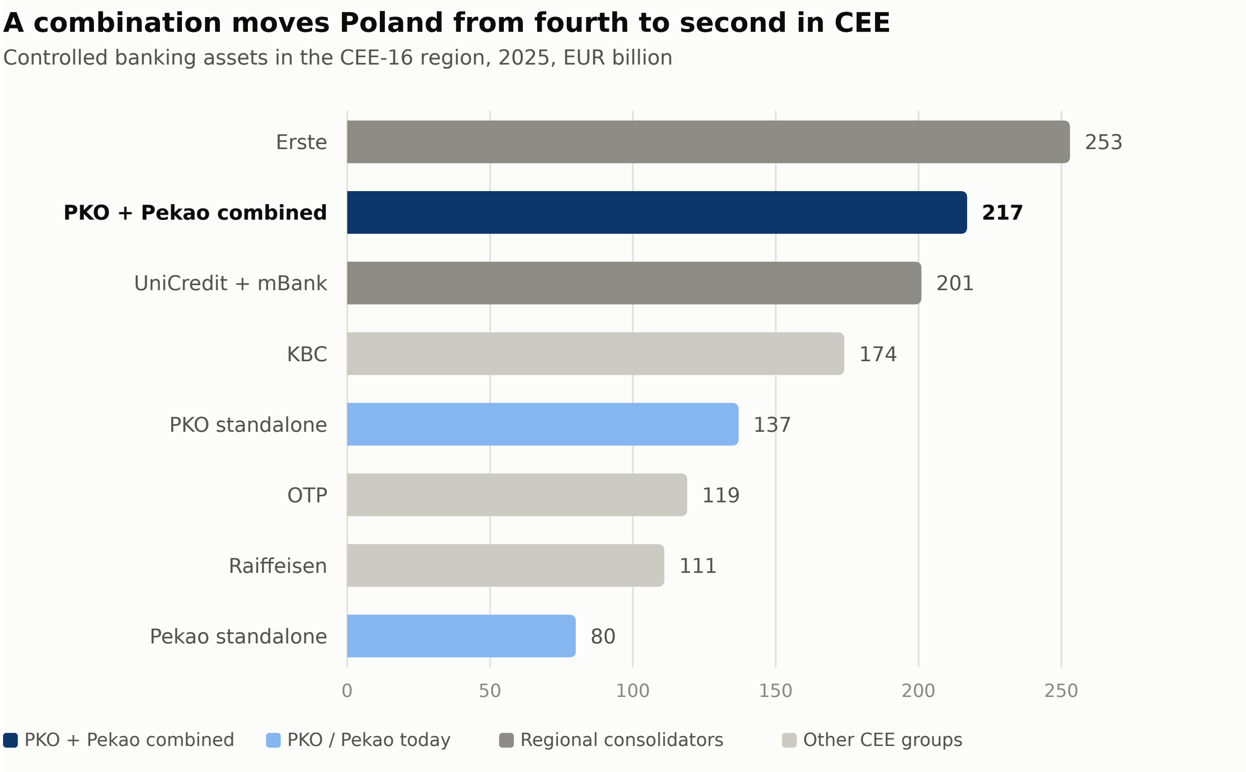

Figure 1. A PKO–Pekao combination would rank second in CEE, ahead of UniCredit even after Commerzbank. *Source: Top 200 Banks in CEE, 2026 edition; Inteliace Research analysis.*

0.2 Summary pro-forma combined entity

Metric (H1 2026, arithmetic aggregation)	Unit	PKO	Pekao	Combined
Total assets	PLN bn	608	368	**976**
Net loans and advances to customers	PLN bn	315	197	**512**
Amounts due to customers	PLN bn	476	285	**761**
Equity	PLN bn	55.9	32.9	**88.8**
Net interest income (H1)	PLN bn	12.0	6.61	**18.6**
Net fee and commission income (H1)	PLN bn	2.79	1.66	**4.45**
Net profit (H1)	PLN bn	5.29	2.75	**8.04**
Cost / income	%	31.6	38.9	**34.2**
ROE (annualised)	%	19.3	15.7	**~18.1**
Total capital ratio	%	16.8	16.8	**~16.8**
NPL ratio	%	3.43	4.40	**~3.80**
Employees	thousand	26.6	14.8	**41.4**
Outlets (branches and agencies)	number	1,120	559	**1,680**
Market capitalisation (31.07.2026)	PLN bn	140	64.4	**204**

0.3 Position created in Poland

Share of Polish banking sector (30.06.2026)	Combined
Total assets	**27.6%**
Non-financial sector deposits	**34.1%**
Sector net profit (H1 2026)	**37.5%**
Sector equity	**27.9%**
Sector net interest income	**34.4%**

0.4 Key conclusions

1. **The scale gap closes.** A combined EUR 217 billion of CEE assets puts the entity second in the region, ahead of the enlarged UniCredit and within reach of Erste. Poland is 36% of the CEE-16 banking market — larger than the Czech, Hungarian and Romanian markets combined — so a leading Polish position is, arithmetically, a leading CEE position.

2. **The networks are made for combination.** Analysis of the full Polish outlet database shows PKO present in 690 localities and Pekao in 392, of which **355 are shared**. Pekao adds only **37 localities** where PKO is absent. Some **93% of Pekao's outlets sit in towns PKO already serves**, and in 226 localities each bank runs exactly one outlet. This is an unusually clean overlap: substantial branch rationalisation is available with essentially no loss of geographic coverage.

3. **Financially the combination stands on its own.** Both banks are profitable, well-capitalised and over-funded. FY2025 combined: PLN 935 billion of assets, PLN 47.5 billion of operating income, PLN 17.7 billion of net profit, 18.9% ROE, 32.3% cost/income, 16.9% total capital ratio. A combined loans/deposits ratio of 67% leaves roughly **PLN 249 billion of funding headroom** to grow lending without wholesale funding.

4. **Synergies are real and additive rather than essential.** Benchmark-based cost synergies of 6–12% of the combined **PLN 16.3 billion** annualised cost base imply PLN 1.0–2.0 billion per annum, worth roughly **PLN 6.4–12.9 billion** of net present value after integration costs. The network overlap analysis supports the upper half of that range.

5. **Pekao's valuation discount is the largest single item of latent value.** Pekao carries more assets than Erste's Polish bank — PLN 368 billion against PLN 323 billion at 30 June 2026 — yet a lower market capitalisation, PLN 60.1 billion against PLN 65.9 billion, and the shortfall roughly **tripled** over the preceding six months. Valuing Pekao's balance sheet as the market values PKO's implies **PLN 77–78 billion**, an uplift of **PLN 17.3–18.3 billion (29–30%)** and **+9.5%** for the combined entity — **1.85 times the base-case synergy NPV**. If the combination does nothing more than extend PKO's rating to Pekao's balance sheet, it creates more value than the entire cost-synergy programme.

6. **Common state control is an enabler.** PKO is controlled by the State Treasury (29.4%) and Pekao by PZU (20.0%) and PFR (12.8%). A combination is a decision within one ownership perimeter rather than a negotiation with an unwilling counterparty — which is precisely what makes it feasible.

0.5 Recommendation

The transaction is **strategically compelling and financially sound**, and the network evidence makes the operational case stronger than a purely financial reading would suggest. We recommend proceeding to a structured feasibility phase, framed explicitly around the regional competitive position rather than domestic scale. The timing consideration is external: Erste's Polish platform is being integrated now, and UniCredit's Commerzbank transaction will place mBank under a pan-European owner in the near term. The combined entity's position relative to both is materially better if established before those integrations mature than after.

1. Introduction & Scope

1.1 Purpose, Scope and Methodology

Purpose. This report provides a comprehensive, fact-based strategic assessment of a potential combination of PKO Bank Polski S.A. and Bank Polska Kasa Opieki S.A. (Bank Pekao), the two largest banks in Poland by assets, both listed on the Warsaw Stock Exchange. The report is intended to support senior decision-makers in evaluating whether a merger of the two institutions would create a Central and Eastern European (CEE) banking champion of sufficient scale to compete effectively with the leading regional consolidators, and to identify the principal financial, competitive and strategic dimensions of such a transaction.

Strategic context — intensifying regional competition. The competitive landscape of CEE banking is changing rapidly and asymmetrically. Two pan-regional groups — Erste Group and UniCredit — are pursuing aggressive consolidation strategies across the region, systematically acquiring market positions, scale advantages and cross-border capabilities. Poland is the largest banking market in CEE and, therefore, the natural centre of gravity for this consolidation wave. Erste has already established a top-five Polish position; UniCredit's acquisition of Commerzbank will deliver it one of the country's strongest digital franchises. In this environment, standing still is not a neutral option: local players that fail to act face a fast-increasing risk of strategic marginalization — losing relevance in corporate and investment banking mandates, falling behind in technology investment capacity, and being outbid for regional growth opportunities. The window in which the major domestic players can act from a position of strength is narrowing, and the cost of inaction compounds with each regional transaction completed by Erste or UniCredit. A combination of PKO and Pekao is therefore assessed here not merely as a domestic scale play, but as the response required for the Polish banking sector to remain a first-tier participant in the CEE financial landscape.

> **Key question addressed by the report:** Would a PKO–Pekao combination create an entity large, profitable and well-capitalized enough to withstand — and compete with — the consolidation pressure exerted by Erste and UniCredit in CEE, and is such a combination feasible and value-creating for stakeholders?

Scope. The report covers: (i) the market and competitive context in Poland and CEE, including the strategies of the principal regional consolidators; (ii) standalone profiles and benchmarking of both banks; (iii) a pro-forma analysis of the combined entity; (iv) synergies and dis-synergies; (v) deal structure considerations; (vi) selected political and ownership feasibility aspects; (vii) risks and mitigants; (viii) alternatives to the merger; and (ix) conclusions and recommendations.

Certain topics are deliberately omitted and are marked accordingly in the report structure. In addition, **this report does not address antitrust, prudential-approval, legal or transaction-mechanics questions.** Exchange ratios, merger weights, valuation of the consideration and the sequencing of regulatory consents are matters for a later phase; the purpose here is to establish feasibility and benefit, not to specify a transaction.

> **Important caveat. No legal or competition analysis is presented anywhere in this report — and neither omission should be read as a judgement that these matters are unproblematic.** On the contrary: a combination of the two largest banks in a national market raises competition questions that could prove significant, and potentially decisive, for whether the transaction can proceed and on what terms. The concentration metrics set out in Section 4.2 — in particular a combined share of roughly a third of non-financial deposits and around 40% of new PLN mortgage origination — indicate the scale of the issue without assessing it. Dedicated antitrust, prudential and legal analysis is a prerequisite to any conclusion on feasibility, and the conclusions in this report are conditional on it.

Methodology. The analysis follows the standards of professional M&A advisory practice and is based on: (i) publicly available audited and reviewed financial statements and management reports of both groups; (ii) regional banking benchmarking data; (iii) publicly available market, regulatory and sector information, including the full Polish banking outlet database; and (iv) standard analytical techniques, including side-by-side benchmarking, pro-forma consolidation of financial statements, market-share and scale-gap analysis, network overlap analysis and synergy benchmarking against comparable European bank mergers. Where estimates or assumptions are used, they are identified as such.

1.2 Information Sources

The report draws on the published financial statements and management reports of both groups for FY2025 and H1 2026, regional banking benchmarking data covering the CEE-16 markets, Polish banking sector statistics, market and shareholder data, and a full database of banking outlets in Poland. **A detailed list of sources is set out in Appendix D.**

1.3 Key Assumptions and Limitations

- **Public information only.** The analysis relies exclusively on publicly available information; no due diligence, data-room access or management interviews have been performed. Findings are therefore indicative and subject to confirmation.
- **Reporting dates.** Financial analysis is anchored on FY2025 audited data and H1 2026 interim data. Regional benchmarking data relates to year-end 2025. Developments after the respective reporting dates are reflected only where publicly known and material.
- **Pro-forma simplifications.** Pro-forma combinations are arithmetic aggregations without purchase-price-allocation, fair-value or harmonization adjustments, which can only be quantified with access to non-public data.
- **Synergy estimates.** Synergy and integration-cost estimates are benchmark-based (comparable European bank mergers) supported by network overlap analysis, rather than bottom-up, and carry a wide confidence interval.
- **Deliberately omitted topics.** Accounting and tax treatment, antitrust and prudential approval analysis, labour, brand and consumer aspects, execution risk, legal legacy risks, transaction mechanics (including exchange ratios and merger weights) and the implementation roadmap are omitted from this stage. Their omission reflects the scope agreed for this report and carries no implication that they are immaterial — the competition dimension in particular could prove significant.
- **No fairness opinion.** This report does not constitute a valuation opinion, fairness opinion, investment recommendation or legal advice.
- **Market conditions.** Market observations reflect conditions as of the date of the report and may change materially.

- **Regional peer data.** CEE group asset figures are controlled-assets measures as at year-end 2025 and exclude transactions completed after 1 July 2026. The effect of UniCredit’s Commerzbank transaction on CEE positions is shown as an explicit addition of mBank’s assets and is indicative.

2. Market & Competitive Context

2.1 Polish banking sector: size, structure, profitability, concentration, regulatory environment

Size and structure. As at 30 June 2026, the Polish banking sector comprised 553 institutions — 30 commercial banks, 35 branches of credit institutions and 488 cooperative banks — employing approximately 150,000 people. Total sector assets stood at **PLN 3,530 billion**, against sector equity of PLN 319 billion. Loans and advances measured at amortised cost amounted to PLN 1,740 billion, of which gross exposures to the non-financial sector were PLN 1,350 billion. Non-financial sector deposits totalled **PLN 2,230 billion**, split between households (PLN 1,570 billion) and corporates (PLN 610 billion).

Two structural features stand out. First, the sector is **deposit-rich and loan-light**: sector-wide, non-financial lending equates to roughly 60% of non-financial deposits. Second, ownership is **majority foreign**: of 30 commercial banks, 18 are foreign-controlled and 12 domestically controlled, of which 8 are State Treasury-controlled.

Profitability. The sector is in an unusually strong earnings phase. In H1 2026 it generated net interest income of PLN 54.2 billion, net fee income of PLN 10.6 billion and net profit of approximately **PLN 21.4 billion** — an annualised return on sector equity in the mid-teens. This performance rests substantially on the interest-rate cycle. The strategic significance is that **the current earnings level provides the capital and the currency to execute a large transaction; a subsequent rate-normalisation phase would not.**

Concentration. Poland remains, by European standards, a moderately concentrated market. PKO alone holds 17.2% of sector assets and Pekao 10.4%. The top five banks account for well under half of sector assets — low relative to markets such as the Netherlands, Belgium or the Nordics, and one of the reasons Poland is attractive to consolidators.

Regulatory environment. The sector operates under CRR/CRD, KNF supervision and MREL requirements, with two Poland-specific burdens: the tax on certain financial institutions (PLN 727 million for PKO and PLN 443 million for Pekao in H1 2026 alone, PLN 2.21 billion combined in FY2025) and Bank Guarantee Fund contributions. Dividend capacity is governed by individual KNF recommendations; both banks currently satisfy the criteria for elevated payout.

2.2 CEE banking landscape and consolidation dynamics; Poland as the largest CEE market

The CEE-16 banking market totalled **EUR 2,472 billion** of assets at end-2025, having grown 11% during the year. Within that, **Poland is by a wide margin the largest single market at EUR 889 billion — 36% of the region**, and larger than the Czech Republic (EUR 472 billion), Hungary (EUR 212 billion) and Romania (EUR 188 billion) combined.

CEE-16 market	Banking assets, end-2025 (EUR bn)	Share
Poland	**889**	**36.0%**
Czech Republic	472	19.1%
Hungary	212	8.6%
Romania	188	7.6%
Slovakia	134	5.4%
Bulgaria	116	4.7%
Other 10 markets	461	18.6%
Total CEE-16	**2,472**	**100%**

This single fact determines the region’s consolidation logic: **a group seeking pan-CEE leadership cannot achieve it without a material Polish position**, and conversely a leading Polish position is most of the way to a leading CEE position.

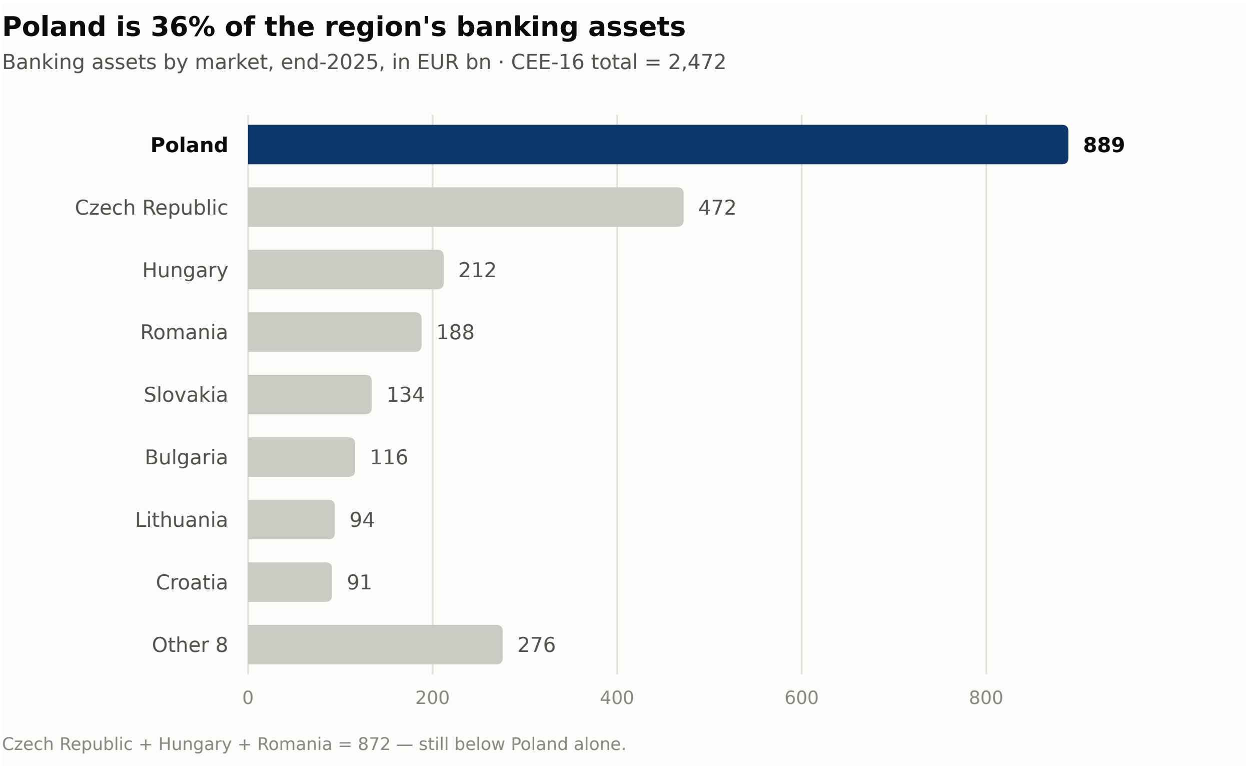

Figure 2. Poland accounts for 36% of CEE-16 banking assets — more than the next three markets combined. *Source: Top 200 Banks in CEE, 2026 edition.*

The top ten banking groups control 52.4% of CEE-16 assets, and consolidation is accelerating. Three dynamics drive it:

1. **Retreat of the marginal Western owners.** A succession of Western European banking groups have exited or de-emphasised CEE, creating a steady supply of assets absorbed by a small number of committed regional buyers.
2. **Scale economics in technology.** Core banking modernisation, cloud migration, AI-driven credit and fraud models and regulatory reporting have large fixed-cost components. The efficient scale for a CEE bank has risen materially, and the gap between the technology budget of a EUR 250 billion group and an EUR 80 billion one is now strategically decisive.
3. **Consolidation at the parent level cascades into CEE.** The UniCredit–Commerzbank transaction is the clearest example: a transaction negotiated in Frankfurt and Milan will change the ownership of Poland’s third-

largest commercial bank without a single Polish decision being taken.

2.3 Regional consolidators — Erste and UniCredit

Erste Group — the incumbent regional leader, now in Poland. Erste controls **EUR 253 billion of CEE assets, 10.2% of the region, across 11 of the 16 CEE markets** — the largest footprint of any group by both measures. Its regional platform is built on top-tier positions in the Czech Republic (Česká spořitelna, EUR 80.7 billion, third-largest bank in CEE), Slovakia (Slovenská sporiteľňa), Romania (Banca Comercială Română), Croatia and Hungary, run as an integrated regional business rather than a portfolio of subsidiaries.

Poland was the one significant gap. It is now filled: **Erste Bank Polska (formerly Santander Bank Polska) holds EUR 71.2 billion of assets, ranking fifth in CEE**, with EUR 7.9 billion of equity and EUR 1.59 billion of 2025 net profit. On the Warsaw exchange its market capitalisation stood at **PLN 75.1 billion at 31 July 2026 — 17% above Pekao's PLN 64.4 billion**, making it the second most valuable listed bank in Poland.

> Erste is no longer a prospective competitor. It is the largest banking group in the region, and it now owns a top-five Polish bank worth more than Pekao.

The valuation inversion is not a one-day artefact. Measured on matched dates, with assets and market values struck together, Pekao is the larger bank and the less valuable one. At 30 June 2026 Pekao held **PLN 368 billion of assets against Erste Bank Polska's PLN 323 billion — 14% more** — yet was capitalised at **PLN 60.1 billion against PLN 65.9 billion — 9% less**. Six months earlier, at 31 December 2025, the asset lead was the same 14% but the market-value shortfall was only PLN 1.9 billion, or 3%. **The shortfall has roughly tripled in half a year while the asset lead has not moved.** This is a persistent and widening re-rating of Erste's Polish platform relative to Pekao, not a price fluctuation.

Expressed per unit of balance sheet the divergence is sharper still. **PLN 100 of Pekao's assets carried PLN 16.3 of market value at 30 June 2026, against PLN 20.4 at Erste Bank Polska and PLN 21.2 at PKO.** All three re-rated upward over the half-year in a rising market — but Pekao by only 1.0 point, against 2.4 for Erste_PL and 2.9 for PKO. Poland's second-largest bank is being left behind by the foreign consolidator that has just arrived and by the domestic champion alongside which it is state-controlled.

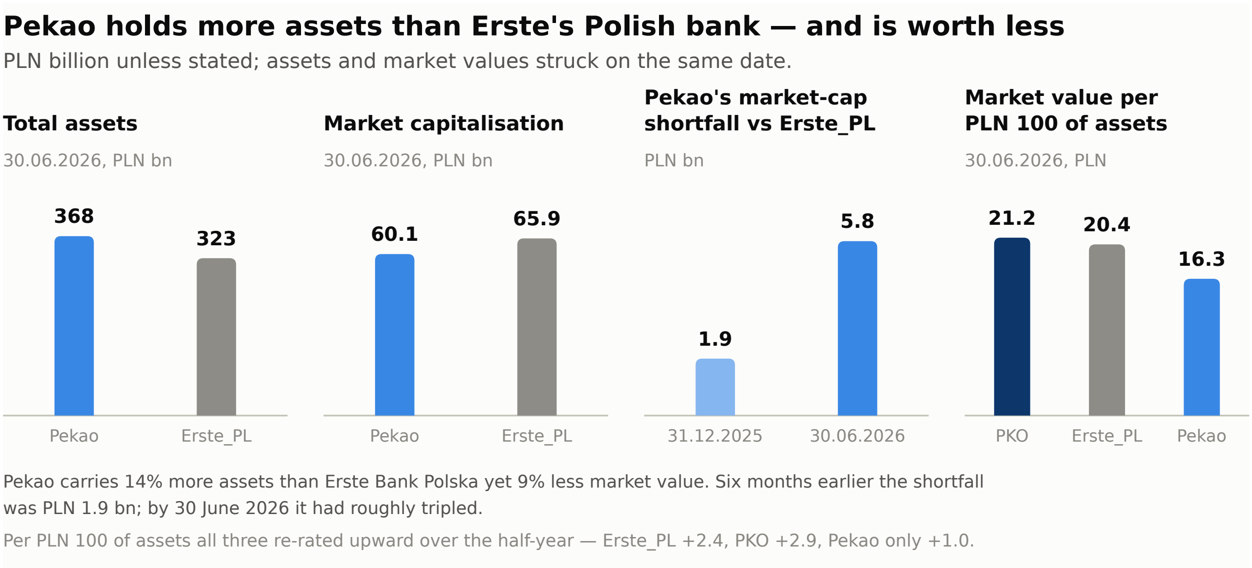

Figure 3. Pekao is larger than Erste's Polish bank on assets, smaller on market value — and the gap is widening. *Source: Group financial statements; Warsaw Stock Exchange; Inteliace Research analysis. Assets and market values struck on matched dates.*

UniCredit — a returning owner seeking full-scale re-entry. UniCredit controls **EUR 135 billion of CEE assets across 10 markets**, with strong positions in the Czech Republic and Slovakia (UniCredit Bank CZ & SK), Croatia (Zagrebačka Banka, EUR 23.3 billion), Bulgaria (UniCredit Bulbank) and Romania. It has been the most acquisitive large European bank of recent years and has an explicit, publicly stated appetite for European banking scale.

Its relationship with Poland is not prospective but historical. **UniCredit controlled Bank Pekao from 1999 until 2016–2017**, when it sold down its stake to PZU and PFR as part of a wider European retrenchment. It knows the asset, the customer base, the branch network and the Polish regulatory environment from the inside — an advantage no other foreign bidder has. Since that exit its Polish presence has been reduced to a branch operation of very modest scale, plainly insufficient for a group of its ambitions in the region's largest market. The evidence points to a group seeking a **full-scale return rather than incremental growth**.

Its acquisition of **Commerzbank** carries a consequence for Poland that is easy to underweight: Commerzbank owns **mBank**, with **EUR 65.8 billion of assets — the seventh-largest bank in CEE and the third-largest commercial bank in Poland** — and EUR 840 million of 2025 net profit. mBank is not a conventional branch bank. It is one of the genuine digital leaders of the Polish market, built as a digital-first institution, with a footprint of only 326 outlets across 112 localities against PKO's 1,119 across 690. Its cost structure, customer acquisition model and technology stack are the competitive benchmark in Polish retail banking, and the market rates it accordingly at 2.46× book — the highest of the large Polish banks after ING.

Combining UniCredit's existing CEE base with mBank produces approximately **EUR 201 billion of CEE assets**, moving UniCredit from fourth to a clear second place in the region — and giving it, in Poland, a digital franchise backed by a pan-European parent balance sheet.

Appetite for Poland. Both consolidators have the same reasons to want Poland: the largest CEE profit pool, a growing and under-levered credit market, a young digital customer base and a sector currently earning mid-to-high-teens returns on equity. Both now have it.

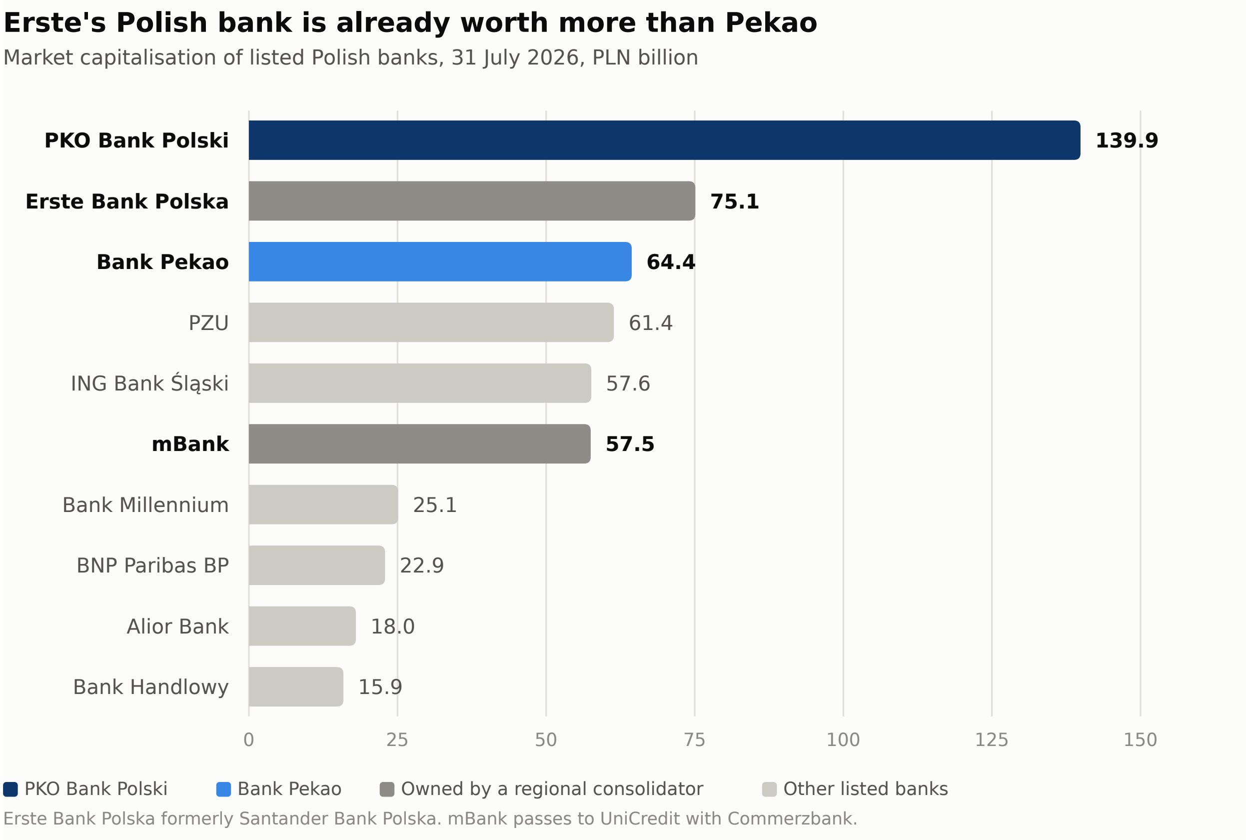

Figure 4. Market capitalisation of listed Polish banks — Erste's Polish subsidiary now outranks Pekao. *Source: Warsaw Stock Exchange, 31 July 2026.*

2.4 Competitive consequences of inaction vs. combination; scale gap analysis

The scale gap is most clearly expressed at the level of controlled CEE assets.

Group	CEE assets, 2025 (EUR bn)	CEE-16 share	Markets present
Erste	253	10.2%	11
KBC	174	7.1%	4
PKO	**137**	**5.5%**	**4**
UniCredit	135	5.5%	10
OTP	119	4.8%	7
Raiffeisen	111	4.5%	9
PZU (Pekao and Alior)	105	4.3%	1
Société Générale	90	3.6%	4
ING	90	3.6%	6
Intesa Sanpaolo	80	3.3%	10
Top 10 total	**1,294**	**52.4%**	

Scenario A — no combination, post-Commerzbank. UniCredit absorbs mBank and moves to roughly EUR 201 billion. The regional ranking becomes: Erste 253, UniCredit 201, KBC 174, **PKO 137**, OTP 119, Raiffeisen 111, with **Pekao at 80 outside the top ten groups**. Poland's largest bank is fourth in its own region, behind two foreign groups that both now own major Polish banks.

Scenario B — PKO and Pekao combine. The combined entity holds **EUR 217 billion, 8.8% of CEE-16 assets — second in the region**, ahead of the enlarged UniCredit and within 14% of Erste. Including Alior, which sits alongside Pekao within the PZU group, the figure rises to **EUR 242 billion — within 4% of Erste's 253**, effectively a shared regional leadership.

Post-transaction CEE ranking	EUR bn
Erste	253
PKO + Pekao (with Alior: 242)	**217**
UniCredit + mBank	~201
KBC	174
OTP	119
Raiffeisen	111

One honest qualification. Scale is not footprint. Erste operates in 11 CEE markets and UniCredit in 10; PKO in 4 and Pekao in 1. A combination delivers regional weight but not regional presence. It buys the balance sheet capacity to build or acquire that presence — it does not itself supply it.

The cost of inaction is not static. Each completed transaction raises the price of what remains, strengthens the acquirer's ability to fund the next one, and shifts the best Polish corporate relationships toward the larger balance sheet. Inaction preserves two nationally significant institutions that are individually sub-scale in a region where the two largest competitors are consolidating around them.

2.5 Strategic rationale: creating a CEE champion able to face Erste/UniCredit

The strategic rationale reduces to four propositions:

1. **Scale sufficiency.** At EUR 217 billion of CEE assets the combined entity is second in the region and ahead of the enlarged UniCredit — the first time a Polish institution would be in the same weight class as the pan-regional groups.
2. **An end to self-competition.** PKO and Pekao are present together in 355 localities and compete directly for the same retail and corporate customers, in the same segments, with substantially the same proposition. Two state-controlled banks expending commercial effort against each other is the single clearest structural advantage currently enjoyed by Erste and, prospectively, by mBank–UniCredit.
3. **Technology investment capacity.** With a combined annual cost base of PLN 16.3 billion, the merged entity can sustain an absolute technology budget several times either bank's current spend without raising its cost/income ratio — which is the relevant response to mBank passing under UniCredit ownership.
4. **Regional platform optionality.** A combined group would have the capital headroom to pursue selective CEE acquisitions and close the footprint gap — a strategy neither bank can credibly pursue alone at current scale.

3. Profiles of the Parties

3.1 PKO Bank Polski Group

Business model. PKO Bank Polski is the largest commercial bank in Poland and the largest bank in Central and Eastern Europe by assets, leading its domestic market on scale of operations, equity, loans, savings, customer numbers and distribution network. It is a universal bank serving individuals, corporates and public-sector entities, with a group perimeter extending into leasing, factoring, investment funds, pension funds, insurance, fleet management, transfer agency and IT services. It operates internationally through branches in Germany, the Czech Republic, Slovakia and Romania, representative offices in Sweden, Lithuania and Austria (Vienna opened in H1 2026), and subsidiaries in Ukraine, Sweden and Ireland.

FY2025 and H1 2026 highlights (PLN million).

	FY2025	FY2024	H1 2026	H1 2025
Net interest income	24,223	22,153	12,027	12,135
Net fee and commission income	5,243	5,120	2,785	2,529
Result on business activities	30,343	28,736	15,249	15,247
Administrative expenses	(9,439)	(8,487)	(4,815)	(4,724)
Cost of CHF mortgage legal risk	(4,365)	(4,899)	(685)	(2,222)
Tax on certain financial institutions	(1,349)	(1,270)	(727)	(662)
Profit before tax	13,848	12,728	8,319	6,939
Net profit	**10,682**	**9,304**	**5,290**	**5,130**
Earnings per share (PLN)	8.55	7.44	4.23	4.10
Total assets	583,079	525,225	608,448	—
Equity	58,503	52,370	55,903	—

Key indicators.

	31.12.2025	31.12.2024	30.06.2026
Net ROE	19.5%	19.2%	19.3%
Net ROA	1.9%	1.8%	1.9%
Cost / income	31.1%	29.5%	31.6%
Interest margin	4.76%	4.80%	4.47%
Share of impaired exposures	3.34%	3.59%	3.43%
Cost of credit risk	0.30%	0.34%	0.29%
Total capital ratio	17.10%	19.04%	16.80%
CET1 ratio	15.57%	17.84%	15.55%
MREL-TREA	17.78%	20.05%	—
MREL-TEM	10.76%	10.97%	—
Leverage ratio	—	—	7.13%

FY2025 net profit of PLN 10,682 million was PLN 1,378 million above 2024, driven by an improved result on business activities and a lower cost of CHF legal risk. The same pattern continued into H1 2026: profit rose 3.1% year-on-year *despite* lower net interest income and higher costs, because CHF legal-risk charges fell from PLN 2,222 million to PLN 685 million. The FX mortgage portfolio is down to PLN 1.2 billion (−52% y/y). **The CHF overhang that dominated Polish bank earnings for half a decade is substantially resolved at PKO**, which removes a significant historical obstacle to a transaction of this kind.

Scale and franchise.

	31.12.2025	31.12.2024	30.06.2026
Customers (thousand)	12,460	12,133	12,614
— individuals	11,770	11,480	11,903
Current accounts (thousand)	9,764	9,460	9,927
Branches	947	944	954
Agencies	225	243	224
ATMs	3,117	3,090	3,138
Employees (FTE)	26,252	25,821	26,600
Active mobile users (thousand)	6,694	—	6,877
Own funds (PLN m)	50,122	48,128	51,575

Market shares at 30 June 2026 of **19.9% in loans and 21.3% in savings**, including 30.3% of new PLN housing loan sales in H1 2026 and 18.4% of the investment fund market. Customer financing grew 13.4% year-on-year to PLN 329 billion gross.

Strategy. The 2025–2027 strategy emphasises international expansion (targeting twelve foreign units across the EU), digital and AI-driven distribution, and growth in consumer and corporate lending.

Ownership.

Shareholder	Shares	% of capital and votes
State Treasury	367,918,980	**29.43%**
Nationale-Nederlanden OFE	87,916,405	7.03%
Allianz Polska OFE	73,752,392	5.90%
Other (incl. BGK 1.96%)	720,412,223	57.64%
Total	**1,250,000,000**	**100%**

Of the FY2025 profit, PLN 7,675 million was distributed to shareholders and PLN 2,565 million transferred to reserve capital for future dividends.

3.2 Bank Pekao Group

Business model. Pekao is Poland’s second-largest bank and the fourth-largest in CEE, a universal institution with a historically strong corporate and affluent-retail franchise, organised around customer segmentation with dedicated Business Customer Centres, Corporate Centres and universal retail branches, supported by the PeoPay mobile platform.

FY2025 and H1 2026 highlights (PLN million).

	FY2025	FY2024	H1 2026	H1 2025
Operating income	17,165	16,049	8,541	8,501
Operating costs (Pekao definition)	(5,530)	(5,244)	(2,903)	(2,705)
— Bank Guarantee Fund contributions	(384)	(239)	(417)	(333)
— Tax on certain financial institutions	(861)	(898)	(443)	(431)
Cost of FX mortgage legal risk	—	—	(89)	(358)
Profit before tax	8,961	8,123	4,259	4,286
Net profit attributable	**7,015**	**6,376**	**2,748**	**3,286**
Total assets	352,233	334,242	367,789	339,634
Customers' financing	197,343	182,158	206,561	188,434
Amounts due to customers	268,463	259,034	282,333	264,449
Equity	35,362	31,914	32,893	31,160

Key indicators.

	31.12.2025	31.12.2024	30.06.2026
ROE (nominal)	21.4%	21.2%	15.7%
ROA	2.1%	2.0%	1.5%
Net interest margin	4.2%	4.2%	3.8%
Cost / income (incl. BGF)	34.5%	34.2%	38.9%
Cost of risk	0.39%	0.48%	0.42%
Total capital ratio	16.4%	16.8%	16.8%
CET1 ratio	15.0%	15.5%	14.8%
NPL ratio	—	—	4.4%
MREL-TREA	—	—	25.3% (req. 24.0%)
Employees	14,911	15,212	14,781
Outlets	560	573	557
ATMs	1,363	1,314	1,396

The year-on-year decline in H1 2026 net profit (−16%) is the most notable feature: margin compression (NIM 4.3% → 3.8%), a higher tax charge and rising costs, only partly offset by lower FX mortgage provisions. **Pekao's earnings momentum is currently weaker than PKO's.**

The underperformance is persistent, not cyclical. The weakness shows in the rating as clearly as in the results, and it has been widening rather than correcting. Per PLN 100 of assets Pekao carried PLN 15.3 of market value at 31 December 2025 and PLN 16.3 at 30 June 2026; the comparable figures for PKO were PLN 18.3 and PLN 21.2. On matched-date market data Pekao trades at **9.2× earnings and 1.67× book against PKO's 12.0× and 2.15×** — the lowest multiples among the large listed Polish banks on every measure. Over the half-year Pekao's market capitalisation rose 11.6% against PKO's 21.1% and Erste Bank Polska's 18.2%, on almost identical balance-sheet growth of roughly 4.5% at all three. The discount is being applied to the institution — its margin, its efficiency and its earnings momentum — and not to a single reporting period. Section 6.2 sizes what closing it would be worth.

Scale and franchise. 9.25 million PLN current accounts, 3.8 million active mobile banking customers (+7% y/y), 557 outlets (468 own, 89 partner) and 14,781 employees. Growth is concentrated in strategic segments: cash loans +14.8% y/y to PLN 15.5 billion (8.8% market share), micro financing +15.0%, MID and SME financing +14.3%, large corporates +11%, mortgage sales +29% y/y to PLN 6.7 billion.

Ownership — the PZU/PFR dimension.

Shareholder	Shares	% of capital and votes
Powszechny Zakład Ubezpieczeń S.A. (PZU)	52,494,007	**20.00%**
Polski Fundusz Rozwoju S.A. (PFR)	33,596,166	**12.80%**
Nationale-Nederlanden OFE	14,009,000	5.34%
Allianz Polska OFE	13,935,661	5.31%
BlackRock, Inc.	13,132,216	5.00%
PZU + PFR combined		**32.80%**

Pekao is controlled not by the State Treasury directly but by **PZU, itself a listed company, alongside PFR**. Both PKO and Pekao therefore sit within the same broad state-controlled perimeter, but under different immediate owners — a structural point developed in Sections 6.1 and 7.3.

3.3 Side-by-side benchmarking

Metric (30.06.2026 / H1 2026)	PKO	Pekao	Ratio PKO : Pekao
Scale			
Total assets (PLN m)	608,448	367,789	1.65×
Net customer loans (PLN m)	315,047	196,582	1.60×
Customer deposits (PLN m)	475,762	284,801	1.67×
Equity (PLN m)	55,903	32,893	1.70×
CEE rank by assets	**1**	**4**	
Profitability			
Net profit H1 (PLN m)	5,290	2,750	1.92×
ROE	19.3%	15.7%	+3.6 pp
Net interest margin	4.47%	3.8%	+0.67 pp
Cost / income	31.6%	38.9%	−7.3 pp
Asset quality			
NPL ratio	3.43%	4.4%	−1.0 pp
Cost of risk	0.29%	0.42%	−0.13 pp
NPL coverage	87.2%	75%	+12 pp
Capital and funding			
Total capital ratio	16.80%	16.8%	flat
Tier 1 / CET1 ratio	15.55%	14.8%	+0.75 pp
Loans / deposits	66.2%	69.0%	−2.8 pp
Distribution and digital			
Outlets (branches and agencies)	1,119	559	2.00×
Localities served	690	392	1.76×
ATMs	3,138	1,396	2.25×
Employees	26,600	14,781	1.80×
Active mobile users (m)	6.9	3.8	1.81×
Market			
Market cap 31.07.2026 (PLN m)	139,900	64,436	2.17×
P/E	13.0	9.9	+3.1
P/BV	2.34	1.96	+0.38
Dividend yield	4.9%	8.1%	−3.2 pp

Reading the comparison. The two banks are more alike in structure than in performance. Funding profiles are closely comparable (loans/deposits of 66% and 69%), capital ratios are level at 16.8%, and both are overwhelmingly domestic retail-and-corporate universal banks serving the same customers through the same channels in largely the same towns.

The differences are in **margin, efficiency and asset quality — and all three favour PKO**. PKO earns 67 basis points more margin, operates 7.3 percentage points more efficiently, and carries a cleaner book with better coverage. Relative to its size, PKO is disproportionately more profitable: 1.65× Pekao's assets, 1.92× its profit. The market reflects this precisely — 2.34× book and 13× earnings against 1.96× and 9.9×.

The market data in the table above are struck at 31 July 2026. On matched-date data — assets and market values both at 30 June 2026 — the same conclusion is sharper: **PKO carried PLN 21.2 of market value per PLN 100 of assets against Pekao's PLN 16.3, a 30% premium per unit of balance sheet.**

The strategic reading is that **these are not two complementary institutions; they are two similar institutions of unequal efficiency, serving the same market.** That is a weak case for a portfolio and a strong case for a merger.

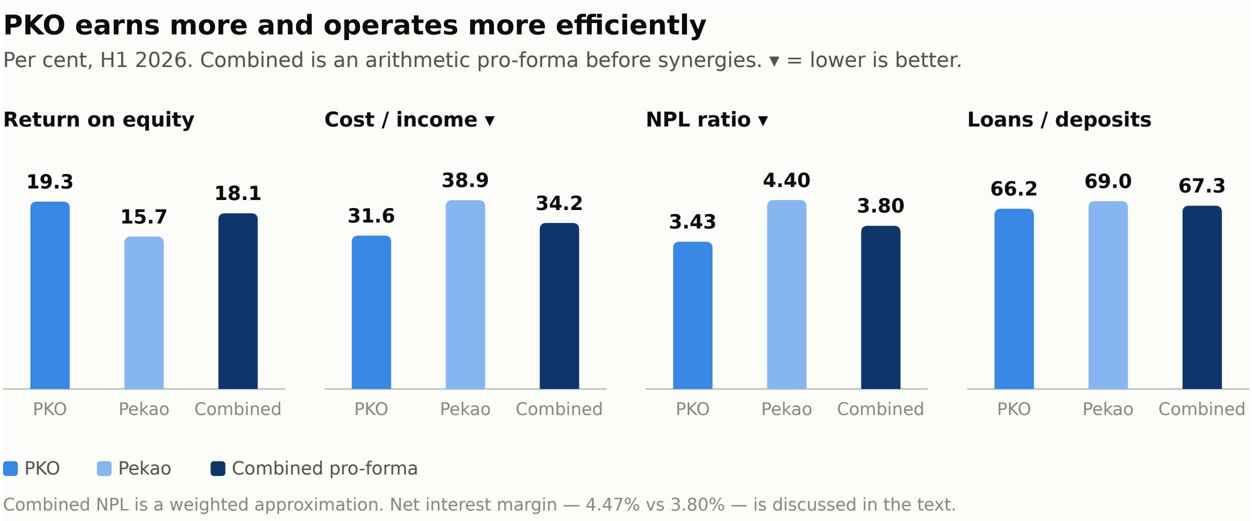

Figure 5. Key performance measures — PKO, Pekao and the combined pro-forma entity. *Source: H1 2026 interim reports of both groups; Inteliace Research analysis.*

4. The Combined Entity — Pro-Forma Analysis

Basis of preparation: arithmetic aggregation of the two groups' reported figures, without purchase price allocation, fair-value adjustments, accounting-policy harmonisation or elimination of intra-group exposures. These simplifications are material and the figures below should be treated as indicative of scale rather than as a forecast of reported outcomes.

4.1 Pro-forma balance sheet, P&L and key ratios

Balance sheet (30.06.2026, PLN million)

	PKO	Pekao	Combined
Total assets	608,448	367,789	**976,000**
Net loans and advances to customers	315,047	196,582	**512,000**
Securities	249,286	134,158	**383,000**
Amounts due to customers	475,762	284,801	**761,000**
Debt securities in issue	34,376	22,889	**57,300**
Subordinated liabilities	7,694	4,951	**12,600**
Total equity	55,903	32,893	**88,800**

Income statement (PLN million)

	PKO H1 26	Pekao H1 26	Combined H1 26	Combined FY2025
Net interest income	12,027	6,614	**18,600**	—
Net fee and commission income	2,785	1,661	**4,450**	—
Total operating income	15,249	8,541	**23,800**	**47,500**
Operating expenses[1]	(4,815)	(3,320)	**(8,140)**	**(15,400)**
Credit loss allowances	(494)	(437)	**(931)**	—
Cost of FX mortgage legal risk	(685)	(89)	**(774)**	—
Tax on financial institutions	(727)	(443)	**(1,170)**	**(2,210)**
Profit before tax	8,319	4,259	**12,600**	**22,800**
Net profit	**5,290**	**2,750**	**8,040**	**17,700**

[1] *Stated on a consistent basis: including Bank Guarantee Fund contributions and depreciation, excluding the tax on certain financial institutions. See Appendix C.1.*

Key ratios (pro-forma)

	Combined H1 26	Combined FY2025	PKO H1 26	Pekao H1 26
Cost / income	**34.2%**	**32.3%**	31.6%	38.9%
ROE (annualised)	**~18.1%**	**18.9%**	19.3%	15.7%
ROA (annualised)	**~1.65%**	**~1.9%**	1.9%	1.5%
Loans / deposits	**67.3%**	—	66.2%	69.0%
Equity / assets	**9.1%**	**10.0%**	9.2%	8.9%
NPL ratio (weighted estimate)	**~3.8%**	—	3.43%	4.4%

Three observations. First, the combined profitability profile sits close to PKO's rather than midway, because PKO contributes 66% of profit on 62% of assets. Second, a combined cost/income ratio of 32–34% would be **among the lowest of any large European banking group** — before any synergies. Third, the loans/deposits ratio of 67%

means the combined entity would be structurally over-funded, with roughly **PLN 249 billion of headroom** to grow lending without wholesale funding. In a market where credit demand is recovering and both consolidators are competing for the same corporate lending, that is a considerable strategic asset.

4.2 Market shares by product line

Share of Polish market (30.06.2026)	PKO	Pekao	Combined
Total banking sector assets	17.2%	10.4%	**27.6%**
Non-financial sector deposits	21.4%	12.8%	**34.1%**
Non-financial sector lending (gross)	~23%	~15%	**~38%**
Sector net interest income	22.2%	12.2%	**34.4%**
Sector net profit (H1 2026)	24.7%	12.8%	**37.5%**
Sector equity	17.5%	10.3%	**27.9%**
Outlets (of 9,103 in the national database)	12.3%	6.1%	**18.4%**
New PLN mortgage sales	30.3%	~10%	**~40%**

Note: both banks report market shares on their own definitional bases (PKO 19.9% in loans and 21.3% in savings); figures above are computed against KNF sector aggregates and will differ. Shares marked ~ are estimates.

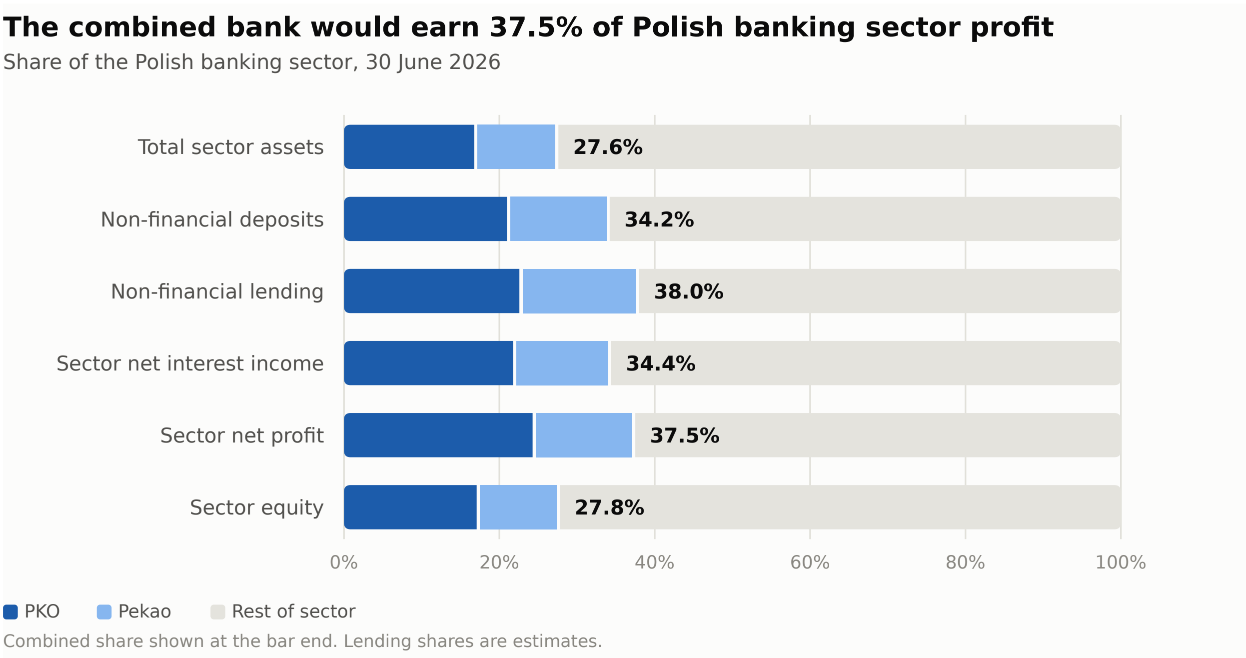

Figure 6. Combined share of the Polish banking sector by measure. *Source: KNF banking sector data, June 2026; company reports; Inteliace Research analysis.*

4.3 Position in CEE ranking vs. Erste, UniCredit, KBC, OTP, RBI

This is the central quantitative claim of the report, and the regional benchmarking data supports it directly.

Individual banks — CEE league table, 2025 (EUR million, unconsolidated)

CEE rank	Bank	Country	Assets	Equity	Net profit	Owner
1	**PKO Bank Polski S.A.**	Poland	**131,896**	13,181	2,426	Poland
2	Československá obchodní banka	Czech Rep.	89,457	5,135	778	KBC
3	Česká spořitelna	Czech Rep.	80,683	5,699	1,064	Erste
4	**Bank Pekao S.A.**	Poland	**80,042**	8,258	1,640	Poland via PZU
5	**Erste Bank Polska S.A.**	Poland	**71,227**	7,896	1,589	**Erste**
6	BGK S.A.	Poland	68,871	10,371	769	State
7	**mBank S.A.**	Poland	**65,830**	5,084	840	**Commerzbank → UniCredit**
8	ING Bank Śląski S.A.	Poland	65,312	5,043	1,098	ING
9	Komerční banka	Czech Rep.	63,006	4,776	673	Société Générale
10	OTP Bank Nyrt.	Hungary	49,335	7,814	1,722	OTP
21	Alior Bank S.A.	Poland	24,080	3,053	557	Poland via PZU

Five of the ten largest banks in CEE are Polish. Three of them — Erste Bank Polska, mBank and ING Bank Śląski — are foreign-controlled, and mBank's control is about to change hands in a transaction decided abroad.

Groups — before and after

CEE-controlled assets (EUR bn)	Today	After UniCredit–Commerzbank	After UniCredit–Commerzbank and PKO–Pekao
Erste	253	253	253
PKO + Pekao	separate	separate	**217**
UniCredit (+ mBank)	135	~201	~201
KBC	174	174	174
PKO standalone	137	137	—
OTP	119	119	119
Raiffeisen	111	111	111
Pekao standalone	80	80	—

The conclusion is unambiguous. Without a combination, PKO falls to fourth in CEE behind Erste, the enlarged UniCredit and KBC, and Pekao sits outside the top ten groups. With a combination, the Polish entity is **second in the region at EUR 217 billion**, ahead of UniCredit even after Commerzbank, and within 14% of Erste. Adding Alior — which sits alongside Pekao inside the PZU group — takes the figure to **EUR 242 billion, within 4% of Erste**, at which point regional leadership is effectively shared.

Two qualifications, stated plainly. First, footprint does not follow scale: Erste operates in 11 CEE markets and UniCredit in 10, against PKO's 4 and Pekao's 1. The combination delivers weight, not reach. Second, these figures are controlled assets at end-2025 and do not reflect transactions completed after mid-2026; the UniCredit position is shown as an indicative addition of mBank.

4.4 Capital and MREL position of the combined group

FY2025 audited data provides a complete picture for both banks, which the interim statements do not.

Combined capital position, 31 December 2025 (PLN million)

	PKO	Pekao	Combined
Total capital requirement	23,443	14,170	**37,600**
Implied total risk exposure amount (TREA)	293,038	177,125	**470,000**
Tier 1 / CET1 capital	45,623	26,642	**72,300**
Tier 2 capital	4,499	2,464	**6,960**
Own funds	**50,122**	**29,106**	**79,200**
Total capital ratio	17.10%	16.43%	**16.85%**
CET1 ratio	15.57%	15.05%	**15.37%**

Capital requirement composition (31.12.2025, PLN million)

	PKO	Pekao	Combined
Credit risk	19,996	12,088	**32,100**
Operational risk	3,321	1,753	**5,070**
Market risk	60	105	**165**
CVA and counterparty risk	66	224	**290**
Total	**23,443**	**14,170**	**37,600**

Assessment. The combined entity would have started 2026 with **PLN 79.2 billion of own funds against PLN 470 billion of risk-weighted assets — a 16.9% total capital ratio and 15.4% CET1 ratio**, comfortably above requirements and essentially identical to each bank's standalone position. Capital is not a constraint on the combination. At 30 June 2026 both banks continued to report total capital ratios of 16.8%, PKO with a 312 basis point surplus above the minimum required for dividend distribution and Pekao with MREL-TREA of 25.3% against a 24.0% requirement.

Two forward-looking considerations, neither of which changes the conclusion:

1. **Systemic buffers.** A larger, more systemic institution would attract a higher O-SII buffer. Each 50 basis points of additional requirement on a combined TREA of PLN 470 billion consumes approximately **PLN 2.35 billion** of capital — against combined FY2025 net profit of PLN 17.7 billion, roughly seven weeks of earnings.
2. **MREL.** A larger resolution entity faces a higher MREL requirement in absolute terms. Both banks are already active issuers; PKO reported MREL-TREA of 17.78% at end-2025 and Pekao 25.3% at mid-2026, the latter uplifted by approximately 1.2 percentage points from a Eurobond issuance in H1 2026.

Dividend capacity. Both banks meet KNF criteria for elevated payout. PKO distributed PLN 7,675 million from FY2025 profit and Pekao allocated PLN 5,189 million from its FY2025 profit of PLN 6,922 million. **Combined annual distribution capacity is therefore of the order of PLN 12–13 billion** — a strength of the combined entity, and a reason shareholders will resist any structure that suspends distributions during integration.

5. Synergies & Dis-synergies

5.1 Cost synergies: network overlap, IT, headcount, procurement

Network overlap — the evidence. Analysis of the complete Polish banking outlet database (9,103 records, March 2026) produces an unusually clear picture.

	PKO	Pekao	Combined
Outlets (branches and agencies)	1,119	559	**1,678**
— branches	891	472	1,363
— agencies / partner branches	228	87	315
Localities served	690	392	**727**

Overlap analysis	Value
Localities where **both** are present	**355**
Localities where **only PKO** is present	335
Localities where **only Pekao** is present	**37**
Pekao outlets in localities PKO already serves	**522 (93.4%)**
Pekao outlets in localities without PKO	37 (6.6%)
Localities with exactly one PKO and one Pekao outlet	**226**

On branches alone the overlap is tighter still: **95.3% of Pekao's 472 branches sit in localities where PKO already has a branch**, and only 22 localities in the country have a Pekao branch but no PKO branch.

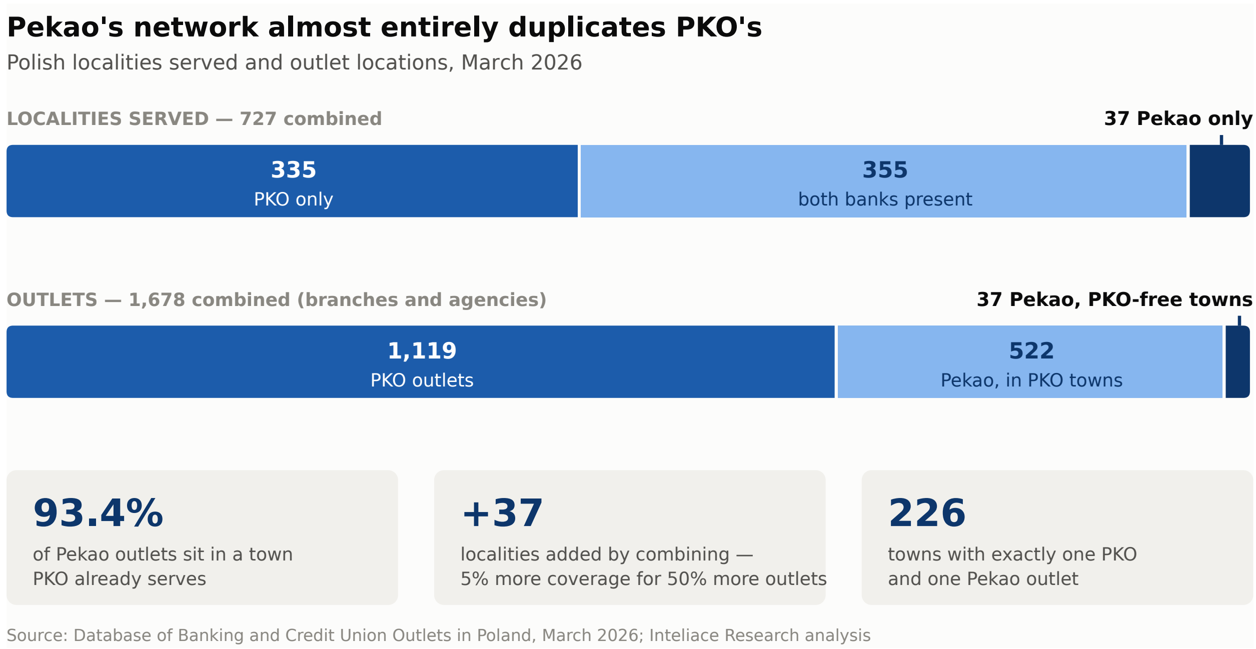

Figure 7. Network overlap — Pekao's outlets sit almost entirely in localities PKO already serves. *Source: Database of Banking and Credit Union Outlets in Poland, March 2026; Inteliace Research analysis.*

What this means. PKO's network is broad and Pekao's largely duplicates it. Combining the two adds **37 localities to PKO's 690 — a 5% increase in geographic coverage for a 50% increase in outlet count**. The merged entity would serve 727 localities; PKO alone already serves 95% of them.

This is close to a best case for network rationalisation. Closing a substantial share of the 522 overlapping Pekao outlets involves **no reduction in the number of towns served**, because PKO remains present in every one of them:

Rationalisation scenario	Outlets closed	Combined network	Localities served
Close 50% of overlapping Pekao outlets	261	1,420	**727**
Close 60% of overlapping Pekao outlets	313	1,370	**727**
Close 70% of overlapping Pekao outlets	365	1,310	**727**

For comparison, Pekao alone has reduced its own network from 713 to 557 outlets over six years — a 22% reduction achieved without a merger — so closures of this magnitude are consistent with what the bank has already demonstrated it can execute.

IT and operations. Two full core banking stacks, two data centres, two payment infrastructures, two mobile platforms (IKO and PeoPay) and two sets of regulatory reporting systems. Migration to a single platform is the largest single source of run-rate saving. PKO's platform, serving 8.7 million mobile applications against Pekao's 3.7 million, is the more probable survivor on scale grounds. This is also where the competitive logic bites hardest: a single technology budget built on a PLN 16.3 billion cost base is the only credible answer to mBank operating under UniCredit ownership.

Headcount. Combined employment of 41,400 FTEs. Central-function duplication — head office, risk, finance, compliance, HR, marketing, treasury — typically yields a 15–25% reduction in overlapping central roles in comparable transactions, before branch-related reductions.

Procurement. Renegotiation of technology licensing, card scheme arrangements, cash logistics, real estate and professional services across a doubled volume base. A smaller but faster-realised category.

5.2 Revenue synergies and dis-synergies

Revenue synergies in bank mergers are unreliable and we do not recommend underwriting the transaction on them. The credible items are: cross-sale of PKO's investment fund and insurance capability (18.4% market share in funds) into Pekao's affluent and corporate base; application of PKO's superior margin discipline (4.47% NIM against 3.8%) to the combined book; and a single, larger balance sheet enabling participation in corporate financings currently beyond either bank's single-name limits — directly relevant when competing against Erste Group and UniCredit for regional mandates.

Dis-synergies are real and should be explicitly modelled:

1. **Customer attrition.** Corporate clients that deliberately bank with both institutions for counterparty diversification will move a portion of their business elsewhere. In comparable European mergers, revenue attrition of 3–8% of the smaller partner's revenue base is common. On Pekao's PLN 17.2 billion of FY2025 operating income, 5% attrition equates to roughly **PLN 860 million per annum** — more than half of the base-case cost synergy. The immediate beneficiaries would be Erste Bank Polska and mBank.
2. **Pricing scrutiny.** A bank with a third of national deposits will face sustained attention on pricing, constraining the margin benefit that scale would otherwise deliver.
3. **Distraction cost.** Multi-year integrations reduce commercial momentum. Both banks are currently growing lending at double-digit rates; a one-percentage-point reduction in growth over three years compounds.

5.3 Integration costs, timeline, net synergy NPV

Scenario analysis. The combined annualised cost base is approximately **PLN 16.3 billion** (H1 2026 operating expenses of PLN 8,140 million annualised; FY2025 actual was PLN 15.4 billion).

Cost synergy scenario	Run-rate p.a. (PLN m)	After-tax perpetuity NPV @10%	Integration cost (1.5× run-rate)	Net NPV
Conservative (6% of cost base)	976	7,910	(1,460)	**6,440**
Base (9% of cost base)	1,460	11,900	(2,200)	**9,660**
Optimistic (12% of cost base)	1,950	15,800	(2,930)	**12,900**

Assumptions: 19% corporate tax rate; 10% cost of equity; perpetuity valuation of run-rate synergies; integration costs at 1.5× run-rate synergies over three years; no revenue synergies and no dis-synergies included.

The network analysis argues for the upper half of this range. In a typical in-market merger, a meaningful share of the theoretical branch overlap cannot be realised because closures would abandon localities. Here that constraint barely binds: 93% of Pekao's outlets are in towns PKO already serves. The physical component of the synergy is therefore available in a way it usually is not.

Indicative timeline. Signing to legal completion 12–18 months; legal merger to single brand 18–24 months; core IT migration 30–42 months; full run-rate synergies from year four. Approximately 60–70% of cost synergies typically arrive in years three and four, meaning the transaction is **value-dilutive for two to three years before it is accretive**.

Context. The base-case net NPV of approximately PLN 9.7 billion equals about 4.7% of the combined market capitalisation of PLN 204 billion. This is material, but it is not the reason to do the transaction. **The strategic case set out in Sections 2 and 4.3 — moving from fourth to second in CEE, ahead of the enlarged UniCredit — is not captured in any synergy calculation.**

5.4 Benchmarks from comparable European bank mergers

The estimates above are calibrated on the pattern observed in in-market European bank consolidations of the past decade — Spanish, Italian and Benelux transactions in particular — in which cost synergies have clustered at **6–12% of the combined cost base** (higher where branch overlap was extreme), integration costs at **1–2× run-rate synergies**, and delivery periods of **three to four years**. Two consistent lessons apply directly:

- **Cost synergies are usually delivered; revenue synergies usually are not.** Acquirers that underwrote only cost synergies have generally met guidance; those that underwrote revenue synergies have generally disappointed.
- **Integration risk correlates with core-platform divergence, not with size.** The single best predictor of a difficult integration has been the incompatibility of core banking systems — which makes early resolution of the IKO/PeoPay and core-banking question the most important sequencing decision.

[Named transaction comparables — synergy percentages, integration costs and realisation timelines — to be tabulated in the final report.]

6. Deal Structure & Valuation Considerations

Transaction mechanics — exchange ratios, merger weights, the valuation of consideration and the split of value between the two shareholder bases — are deliberately outside the scope of this stage. They are matters for a negotiated process and cannot be meaningfully specified from public information. This section sets out only the structural context.

6.1 Possible structures; ownership constraints

The constraint set. Any structure must accommodate: the State Treasury's 29.43% of PKO; PZU's 20.00% and PFR's 12.80% of Pekao; PZU's own listed status and minority shareholders; and the free float of both banks, including OFEs on both registers and BlackRock at Pekao.

The relevant structural observation is that **both banks already sit inside the same state-controlled perimeter, under different immediate owners.** This is materially different from a conventional acquisition: there is no unwilling seller, no auction and no competing bidder. What is required is an alignment decision among state-linked holders, not a negotiation with a counterparty whose interests are opposed.

Structure A — Share-for-share statutory merger, PKO surviving. PKO issues new shares to Pekao shareholders; Pekao is absorbed. PKO's larger size and higher market rating make it the natural surviving entity. This is the most probable structure and the cleanest outcome. It requires PZU to exchange a controlling banking stake for a minority position in a larger bank.

Structure B — Cash acquisition of the PZU and PFR stakes. PZU realises value in cash. Capital-intensive — a 32.80% stake at market plus premium is a very large outlay — and it does not by itself deliver a merged bank.

Structure C — Holding company / merger of equals. A new entity into which both banks are contributed, allowing negotiated governance. Slower and more complex, and difficult to sustain as "equals" when one party is 1.65× the size of the other.

Structure D — Staged combination. The Pekao stakes move within the state perimeter first as part of the PZU group restructuring; the bank merger follows as a separate banking transaction. Superficially the most realistic sequencing — but on the analysis in Section 7.3 it is the least attractive of the four: it parks the banking combination behind a legislative package that has not begun, and complicates it when it finally arrives.

6.2 Standalone valuations

Market valuations (GPW, 31 July 2026):

	PKO	Pekao	Erste_PL	mBank	ING
Market cap (PLN m)	139,900	64,436	**75,109**	57,504	57,634
Book value (PLN m)	59,880	32,881	32,197	23,360	19,679
P/E	13.0	9.9	12.7	14.8	12.8
P/BV	2.34	1.96	2.33	2.46	2.93
Dividend yield	4.9%	8.1%	6.8%	—	6.0%

Reading the multiples. PKO's 2.34× book is in line with Erste_PL (2.33×) and below mBank (2.46×) and ING (2.93×) — a full but not stretched valuation for a bank earning 19.3% ROE. **Pekao's 1.96× book and 9.9× earnings are the lowest of the large listed Polish banks**, consistent with its lower ROE, weaker margin and declining earnings.

Two figures from this table carry strategic weight beyond valuation. **Erste's Polish subsidiary is worth PLN 75.1 billion against Pekao's PLN 64.4 billion.** And **mBank, at PLN 57.5 billion and 2.46× book, is the most highly rated large Polish bank on a price-to-book basis after ING** — the market's assessment of the digital franchise that is about to pass to UniCredit.

Combined market capitalisation would be approximately **PLN 204 billion**, against Erste Bank Polska's PLN 75.1 billion and mBank's PLN 57.5 billion.

An illustrative re-rating scenario — what Pekao's balance sheet would be worth on PKO's multiples. Pekao's discount is the largest single item of latent value in the transaction, and it is worth sizing. The figures below are struck at **30 June 2026**, the last date on which assets and market values are available together; they are therefore not directly comparable with the 31 July 2026 table above, on which the market stood some 8% higher.

A combination would place Pekao's balance sheet under PKO's management, capital allocation, funding and operating model. If the market came in time to value that balance sheet as it values PKO's, the arithmetic is as follows. The direction of travel is the plausible one: in an in-market merger of this shape it is the larger, higher-returning and more efficient party that sets the operating standard, and PKO is that party on every measure in Section 3.3. It is more likely that PKO lifts Pekao than that Pekao drags PKO down.

Yardstick, applied at PKO's level	PKO at 30.06.2026	Implied Pekao market cap	Uplift	Uplift %
Market value per unit of assets	21.2%	77.9	+17.9	+29.8%
Price / book value	2.15×	77.3	+17.3	+28.7%
Price / earnings	12.0×	78.3	+18.3	+30.4%
Pekao at market, 30.06.2026		**60.1**		

PLN billion. Pekao at 30.06.2026: 16.3% of assets, 1.67× book, 9.2× earnings.

Three independent yardsticks converge on PLN 77–78 billion, an uplift of **PLN 17.3–18.3 billion, or 29–30%**. The convergence matters more than any single figure: the discount is visible against assets, against book value and against earnings alike, which is what one would expect of a rating applied to the institution rather than to one line of its accounts.

Applied to the two banks together, the same exercise lifts their combined market value at 30 June 2026 prices from **PLN 189 billion to approximately PLN 207 billion — a 9.5% uplift** for the combined shareholder base. The cross-check is exact: the combined PLN 976 billion balance sheet valued at PKO's 21.2% multiple gives the same PLN 207 billion.

The comparison with the synergy case is the point. The base-case net synergy NPV in Section 5.3 is PLN 9.7 billion. The re-rating uplift is PLN 17.9 billion — **1.85 times the synergy value**, and it does not depend on closing a single branch. Cost synergies and a re-rating are not alternatives; the first is one of the reasons the market might grant the second.

Three cautions. This is a multiple-convergence illustration, not a valuation. It assumes the re-rating is achieved and is not offset by any de-rating of PKO's own multiple on dilution or integration risk; it takes no account of the discount a market typically applies through the three to four years before synergies reach run-rate; and it is struck on public prices at a single date. It is presented to size the prize, not to price the transaction.

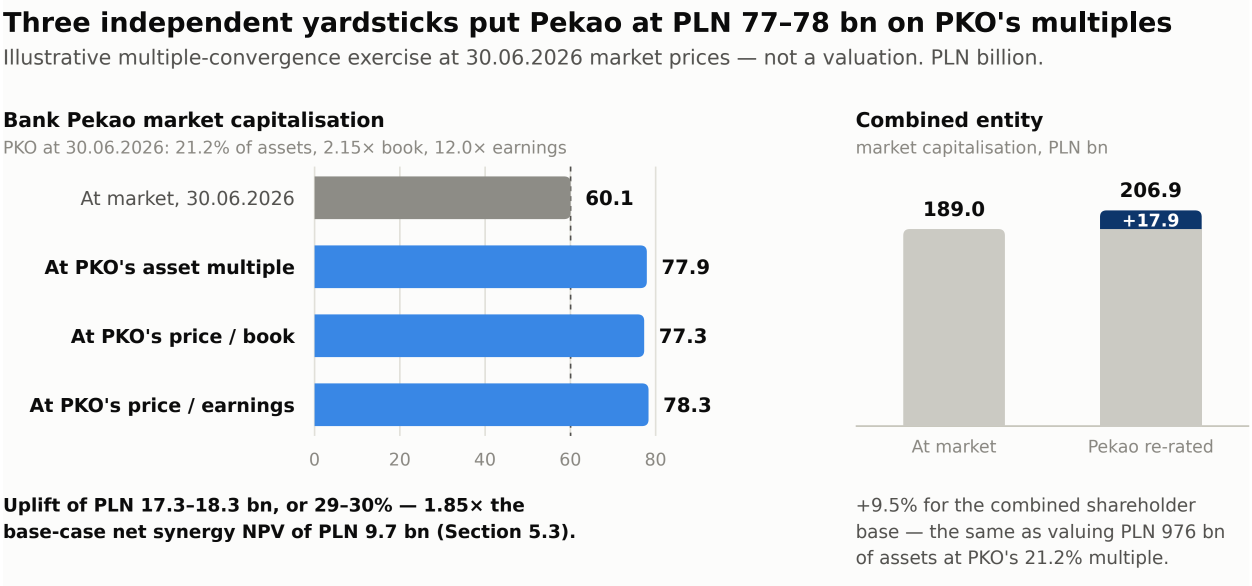

Figure 8. Valuing Pekao's balance sheet on PKO's multiples — an illustrative re-rating, not a valuation. *Source: Group financial statements; Warsaw Stock Exchange, 30 June 2026; Inteliace Research analysis.*

6.3 Exchange ratio considerations; value creation split

Not addressed at this stage. The relative contributions of the two banks are set out throughout this report — PKO accounts for approximately 62% of combined assets, 63% of equity, 66% of profit and 68% of market value — and these will inform any future negotiation. The translation of those contributions into an exchange ratio, and the allocation of value between the two shareholder bases, requires a negotiated process, non-public information and a formal valuation exercise. None of the three is available here, and a number produced without them would carry a false precision.

6.4 Accounting and tax considerations — [section removed]

7. Regulatory, Legal & Political Feasibility

Antitrust, prudential-approval and legal feasibility are outside the scope of this report.

7.1 Antitrust (UOKiK / EC) — [section removed]

7.2 Prudential approval (KNF; systemic buffer implications) — [section removed]

7.3 State ownership and political economy; PZU group restructuring dependency

Common control is the enabling condition. PKO is controlled by the State Treasury (29.43%), Pekao by PZU (20.00%) and PFR (12.80%). Neither bank is for sale and neither owner has to be persuaded: the decision sits within a single ownership perimeter. In M&A terms that is an unusually favourable starting position, and the main reason the transaction is feasible at all.

The PZU–Pekao restructuring blocks it. The June 2025 transaction — PZU divides into a holding company and an insurance company, Pekao then absorbs the holding — does not advance the banking combination; it obstructs it. It adds no banking assets, leaving the gap to Erste (EUR 253 billion) and a post-Commerzbank UniCredit (roughly EUR 201 billion) where Sections 2.4 and 4.3 found it. It consumes two to three years of senior management attention and the whole legislative and supervisory bandwidth available to the state banking perimeter. And it leaves Pekao parent to a listed insurer, so that a PKO–Pekao merger afterwards means absorbing a bancassurance group rather than a bank — slower, more complex, and needing a further set of consents.

It may also not happen. Four statutory amendments are required — to the law on the management of state property, the Banking Law, the Insurance and Reinsurance Activity Act and the Insurance Distribution Act — because Polish law permits neither the division of an insurance undertaking nor the merger of a bank with a non-bank holding company. **None has been enacted and no draft has been tabled.** Completion has already slipped from mid-2026 to 31 December 2027. The realistic case is a multi-year process that consumes the window in which the banking combination could still be executed from strength, and then makes it harder.

Political economy. Regional competitiveness is the framing most likely to survive a change of government; the reduction across 41,400 employees is the point that cannot be finessed, though no locality loses coverage; dividend capacity of PLN 12–13 billion is a recurring fiscal flow that any integration pause interrupts.

7.4 Labor, brand and consumer-protection aspects — [section removed]

8. Risks & Mitigants

8.1 Execution/integration risk — [section removed]

8.2 Concentration and systemic risk for the Polish economy

The combined entity would hold approximately 27.6% of Polish banking sector assets, 34.1% of non-financial sector deposits and around 38% of non-financial sector lending. Two consequences follow that are worth recording, both of which sit outside the competition analysis excluded from this report.

Operational concentration. A material operational or cyber incident at the combined entity would affect roughly a third of the country's retail payment capability at once. Two independent institutions provide genuine national operational redundancy; one does not. This argues for maintaining dual payment infrastructure longer than pure cost logic would suggest — with a corresponding reduction in realisable synergies. It is the most substantive unresolved objection in this report.

Credit concentration. A single underwriting standard applied to a large share of national lending removes the diversification currently provided by two distinct credit cultures, and could amplify rather than dampen the credit cycle.

Context. The relevant comparison is not "two independent Polish banks" against "one large Polish bank", but against the trajectory the market is already on. Erste and UniCredit are consolidating Polish banking assets under foreign parents regardless of what PKO and Pekao do. A concentrated but domestically controlled sector places the resolution authority and the parent's home supervisor in the same jurisdiction, which is not a trivial consideration.

Mitigants to be developed: maintenance of dual payment infrastructure beyond legal merger; enhanced resolution planning with a credible bail-in stack; retention of distinct credit-decision frameworks for a defined period; and explicit commitments on branch coverage — which, as Section 5.1 shows, can be honoured in full.

8.3 Legal legacy risks (CHF portfolios, WIBOR litigation) — [section removed]

Noted for the record: the CHF exposure that would have dominated this analysis three years ago is now substantially resolved. PKO's FX mortgage portfolio stands at PLN 1.2 billion (−52% y/y), with the H1 2026 cost of legal risk down to PLN 685 million from PLN 2,222 million; Pekao's equivalent charge was PLN 89 million. The window for a transaction of this kind is more open now than at any point since 2019.

8.4 Market/competition risks (customer attrition) — [section removed]

9. Alternatives to the Merger

9.1 Standalone strategies; organic growth

Both banks are executing credible organic strategies and neither is in difficulty. PKO is growing customer financing at 13.4% year-on-year, expanding internationally toward twelve EU units, and earning 19.3% ROE. Pekao is growing cash loans at 14.8%, MID/SME at 14.3% and mortgage sales at 29%, while returning an 8.1% dividend yield.

The limitation is arithmetic. PKO stands at EUR 137 billion of CEE assets against Erste's 253 and a post-Commerzbank UniCredit at roughly 201. At 10% annual asset growth — above what either bank can sustain indefinitely — PKO would need close to seven years to reach Erste's *current* position, by which time both consolidators will have grown further, largely by acquisition. Organic growth cannot close a scale gap against acquisitive competitors; it can at best prevent it from widening.

9.2 Alternative partners / regional expansion

Domestic alternatives. Either bank could acquire a mid-sized Polish bank. The scale added is marginal in regional terms — none would move PKO past KBC, let alone Erste — and the network overlap would be less favourable than the PKO–Pekao case, since the smaller banks' footprints are concentrated in larger cities where duplication is highest.

Regional expansion. Either bank could pursue acquisitions in the Czech Republic, Slovakia, Romania or the Baltics. This directly addresses the footprint gap identified in Section 4.3, and PKO already operates branches in four foreign markets with an explicit international strategy. The obstacles are that the best regional assets are already owned by the consolidators, that neither bank has integrated a significant cross-border acquisition, and that capital deployed abroad is capital not deployed in the home market — which is 36% of the region and where the competitive threat has now materialised.

Partial combination. A joint venture in specific domains — shared payments infrastructure, a combined mortgage origination platform, a joint technology company — would capture part of the scale benefit at a fraction of the execution cost. Given that the technology gap against mBank–UniCredit is the sharpest competitive exposure, a joint technology vehicle is the most under-examined option in this report and merits dedicated analysis.

9.3 Do-nothing scenario vs. Erste/UniCredit pressure

The do-nothing scenario is not "the status quo continues". The realistic three-to-five-year trajectory:

1. **Erste consolidates its Polish position.** Erste Bank Polska, at EUR 71.2 billion and PLN 75.1 billion of market value, is integrated into a group platform spanning 11 CEE markets and EUR 253 billion of assets, with investment capacity accordingly.
2. **UniCredit completes Commerzbank and inherits mBank.** A EUR 65.8 billion digital-first Polish bank, currently the most highly rated large Polish bank on price-to-book after ING, passes under a pan-European owner with roughly EUR 201 billion of CEE assets and an explicit consolidation strategy.
3. **PKO falls to fourth in its own region**, behind Erste, UniCredit and KBC, with Pekao outside the top ten groups.
4. **The two Polish banks continue to compete against each other** in 355 shared localities, dividing the domestic market while the two foreign groups consolidate theirs.

5. **Pressure from capital rather than capability — at first.** This point should be stated carefully. Neither Erste nor UniCredit is a recognised leader in banking sophistication; on digital origination, mobile experience and process automation the Polish market as a whole, including PKO, Pekao and mBank, already scores highly by European standards. The advantage the two groups bring to Poland is therefore primarily **capital and absolute investment capacity, not superior know-how**, and in the first years the competitive pressure should be expected to come from balance-sheet weight and pricing power rather than from a technology gap. The longer-term risk is different and more subtle: a domestic sector that stays fragmented and sub-scale may find its investment budgets growing more slowly than those of owners able to spread development costs across ten or more markets — at which point today's Polish advantage in sophistication erodes not through anyone else's brilliance but through gradual under-investment and stagnation.

The asymmetry. The merger's risks — execution, concentration, headcount — are visible, quantifiable and immediate. Inaction's risks are diffuse, deferred and easy to discount. That asymmetry biases decision-making toward inaction, which is why the do-nothing case is placed alongside the transaction rather than treated as a neutral baseline. **Doing nothing is a decision with consequences, not the absence of one.**

10. Conclusions & Recommendations

10.1 Verdict on strategic and financial feasibility

Strategic: strong, and time-sensitive. The regional data settles the question. Erste controls EUR 253 billion of CEE assets and now owns a top-five Polish bank worth more than Pekao. UniCredit will control roughly EUR 201 billion once Commerzbank delivers mBank, one of Poland's genuine digital leaders. Against them, PKO at EUR 137 billion and Pekao at EUR 80 billion compete separately — and against each other. Combined at **EUR 217 billion they are second in CEE**, ahead of the enlarged UniCredit and within 14% of Erste; with Alior, within 4%. That is the transaction's purpose, and no alternative on the table achieves it.

Operational: unusually favourable. The network evidence is the strongest single piece of new analysis in this report. **93% of Pekao's outlets sit in localities PKO already serves**, and combining the two adds only 37 localities to PKO's 690. Substantial rationalisation is available without withdrawing from a single town — rare in in-market bank mergers, and it materially de-risks the largest synergy component.

Financial: sound. FY2025 combined: PLN 935 billion of assets, PLN 47.5 billion of operating income, PLN 17.7 billion of net profit, 18.9% ROE, 32.3% cost/income, 16.9% total capital ratio on PLN 79.2 billion of own funds. A 67% loans/deposits ratio leaves roughly PLN 249 billion of funding headroom. Base-case net synergy NPV of approximately PLN 9.7 billion is real, and the network analysis supports the upper half of the range — but the financial case is a supporting argument, not the principal one.

Ownership: the enabling condition and the gating item. Both banks sit within the same state-controlled perimeter, so there is no unwilling seller and no competing bidder — an unusually favourable starting position. The practical constraint is the PZU–Pekao restructuring, which the two banks cannot resolve themselves and which, on the analysis in Section 7.3, works against the banking combination rather than towards it: it adds no banking scale, absorbs the available legislative and management bandwidth, and would leave Pekao parent to a listed insurer. It is also uncertain — four statutory amendments are required, none enacted.

Legal and competition: not assessed, and potentially decisive. As stated in Section 1.1, this report contains no antitrust, prudential or legal analysis. That is a scope decision, not a finding. A combination of a market's two largest banks raises competition questions capable of determining whether the transaction proceeds at all, and on what conditions. **Every conclusion below is conditional on that analysis being carried out and being favourable**, and commissioning it should be treated as a priority of the next phase rather than a later formality.

Overall. Subject to that caveat, the combination is **strategically justified, operationally well-supported by the network evidence, and financially sound.** It should proceed to structured feasibility work, framed around the regional competitive position rather than domestic scale, with the PZU sequencing question and the competition analysis addressed first. The cost of delay is external and measurable: it accrues to Erste and to UniCredit with each month their Polish platforms mature.

10.2 Suggested roadmap and decision gates — [section removed]

Appendices

Appendix A. Detailed financials of both banks

A.1 Consolidated income statement (PLN million)

	PKO FY2025	PKO H1 2026	Pekao FY2025	Pekao H1 2026
Interest income	33,275	15,590	—	8,846
Interest expense	(9,052)	(3,563)	—	(2,232)
Net interest income	**24,223**	**12,027**	—	**6,614**
Fee and commission income	7,069	3,728	—	2,144
Fee and commission expense	(1,826)	(943)	—	(483)
Net fee and commission income	**5,243**	**2,785**	—	**1,661**
Net other income	877	437	—	266
Total operating income	**30,343**	**15,249**	**17,165**	**8,541**
Operating expenses (restated basis)[1]	(9,439)	(4,815)	(5,914)	(3,320)
Credit loss allowances	(894)	(494)	—	(437)
Impairment of non-financial assets	(573)	(269)	—	—
Cost of FX mortgage legal risk	(4,365)	(685)	—	(89)
Tax on certain financial institutions	(1,349)	(727)	(861)	(443)
Share of associates	125	60	—	7
Profit before tax	**13,848**	**8,319**	**8,961**	**4,259**
Income tax	(3,166)	(3,029)	—	(1,509)
Net profit	**10,682**	**5,290**	**7,015**[2]	**2,750**
EPS (PLN)	8.55	4.23	—	10.47

[1] Pekao restated to include BGF contributions and exclude the bank levy, matching PKO's presentation. [2] Attributable to equity holders. See Appendix C.1.

A.2 Consolidated statement of financial position (PLN million)

	PKO 30.06.26	PKO 31.12.25	Pekao 30.06.26	Pekao 31.12.25
Cash and balances with central bank	15,762	21,919	21,210	12,016
Amounts due from / loans to banks	7,609	4,477	380	501
Securities	249,286	241,484	134,158	134,738
Loans and advances to customers	315,047	293,411	196,582	188,868
Intangible assets	4,164	4,184	2,547	2,560
Property, plant and equipment	3,408	3,429	2,299	2,224
Other assets	13,172	14,175	10,613	11,326
Total assets	**608,448**	**583,079**	**367,789**	**352,233**
Amounts due to banks	2,775	3,440	7,899	5,748
Amounts due to customers	475,762	460,722	284,801	269,552
Debt securities in issue	34,376	29,580	22,889	20,265
Subordinated liabilities	7,694	6,309	4,951	5,642
Provisions	7,281	7,636	2,481	2,634
Other liabilities	24,657	16,789	11,875	13,030
Total liabilities	**552,545**	**524,576**	**334,896**	**316,871**
Total equity	**55,903**	**58,503**	**32,893**	**35,362**

A.3 PKO loan portfolio by segment (PLN million)

	30.06.2026	31.12.2025
Retail and private banking	187,292	173,321
— real estate	137,361	128,229
— consumer	49,715	44,912
Business banking	31,527	29,862
Corporate banking	96,228	90,228
Total	**315,047**	**293,411**

A.4 PKO deposits by customer type (PLN million, 30.06.2026)

	Households	Business entities	Public sector	Total
Current accounts and O/N	270,423	63,517	20,352	354,292
Term deposits	97,798	18,764	2,516	119,078
Other	1,158	766	34	1,958
Total	**369,379**	**83,047**	**22,902**	**475,328**

A.5 Capital adequacy, 31 December 2025 (PLN million)

	PKO	Pekao	Combined
Credit risk requirement	19,996	12,088	32,084
Operational risk requirement	3,321	1,753	5,074
Market risk requirement	60	105	165
CVA / counterparty requirement	66	224	290
Total capital requirement	**23,443**	**14,170**	**37,613**
Implied TREA (×12.5)	293,038	177,125	470,163
Tier 1 / CET1 capital	45,623	26,642	72,265
Tier 2 capital	4,499	2,464	6,963
Own funds	**50,122**	**29,106**	**79,228**
Total capital ratio	17.10%	16.43%	**16.85%**
CET1 ratio	15.57%	15.05%	**15.37%**

Appendix B. Network and peer benchmarking tables

B.1 PKO and Pekao network overlap — full outlet database, March 2026

	PKO	Pekao	Combined
Total outlets in database	1,119	559	1,678
— branches (type O)	891	472	1,363
— agencies / partner outlets (type A)	228	87	315
Localities served (all outlet types)	690	392	**727**
Localities served (branches only)	562	317	**584**

Overlap metric (branches and agencies)	Value
Localities where both banks are present	**355**
Localities where only PKO is present	335
Localities where only Pekao is present	**37**
Pekao localities also served by PKO	**90.6%**
Pekao outlets located in shared localities	**522 (93.4%)**
Localities with exactly one PKO and one Pekao outlet	**226**
Incremental localities added by combining	**+37 (+5.4% on PKO's 690)**

Overlap metric (branches only)	Value
Localities where both banks have a branch	295
Localities where only Pekao has a branch	**22**
Pekao branch localities also served by PKO	**93.1%**
Pekao branches located in shared localities	**450 (95.3%)**

B.2 Largest shared locations (PKO / Pekao outlets)

Locality	PKO	Pekao
Warszawa	60	35
Kraków	20	20
Wrocław	20	9
Łódź	19	12
Poznań	18	9
Bydgoszcz	13	5
Gdańsk	13	6
Szczecin	13	8
Białystok	11	7
Katowice	11	4
Lublin	9	10
Gdynia	8	7

B.3 Polish bank networks compared (all outlet types)

Bank	Outlets	Localities
PKO Bank Polski	**1,119**	**690**
Bank Millennium	598	361
Bank Pekao	**559**	**392**
Santander / Erste Bank Polska	471	352
Alior Bank	445	308
BNP Paribas Bank Polska	352	257
mBank	**326**	**112**
ING Bank Śląski	217	106
PKO + Pekao combined	**1,678**	**727**

mBank's 326 outlets across only 112 localities illustrate the digital-first model: roughly one-fifth of PKO's physical footprint, serving a comparable customer base through digital channels.

B.4 Polish listed banks — market data (GPW, 31 July 2026)

Bank	Shares out. (m)	Market cap (PLN m)	Market cap (EUR m)	Book value (PLN m)	P/E	P/BV	Div. yield
PKO BP	1,250.0	139,900	32,438	59,880	13.0	2.34	4.9%
Erste_PL	102.2	**75,109**	17,415	32,197	12.7	2.33	6.8%
Pekao	262.5	64,436	14,941	32,881	9.9	1.96	8.1%
PZU	863.5	61,379	14,232	36,870	9.7	1.66	6.3%
ING	130.1	57,634	13,364	19,679	12.8	2.93	6.0%
mBank	42.5	**57,504**	13,333	23,360	14.8	2.46	—
Millennium	1,213.1	25,063	5,811	11,285	17.9	2.22	—
BNP Paribas BP	147.9	22,932	5,317	17,875	8.5	1.28	6.6%
Alior	130.6	17,964	4,165	13,133	7.8	1.37	6.5%
Handlowy	130.7	15,888	3,684	10,084	9.8	1.58	8.1%

B.5 CEE-16 banking groups by controlled assets, 2025

Rank	Group	Assets (EUR bn)	CEE-16 share	Markets present
1	Erste	253	10.2%	11
2	KBC	174	7.1%	4
3	PKO	137	5.5%	4
4	UniCredit	135	5.5%	10
5	OTP	119	4.8%	7
6	Raiffeisen	111	4.5%	9
7	PZU	105	4.3%	1
8	Société Générale	90	3.6%	4
9	ING	90	3.6%	6
10	Intesa Sanpaolo	80	3.3%	10
	Top 10 total	**1,294**	**52.4%**	
	Total CEE-16	**2,472**	**100%**	

B.6 CEE-16 markets by banking assets, end-2025

Market	Assets (EUR bn)	Growth 2025
Poland	**889**	+11%
Czech Republic	472	+12%
Hungary	212	+10%
Romania	188	+6%
Slovakia	134	+7%
Bulgaria	116	+18%
Lithuania	94	+28%
Croatia	91	+8%
Serbia	62	+5%
Slovenia	59	+7%
Estonia	48	+6%
Latvia	32	+6%
Other 4 markets	75	—
Total CEE-16	**2,472**	**+11%**

B.7 Matched-date assets, market capitalisation and multiples

PLN bn unless stated	Assets 31.12.2025	Assets 30.06.2026	Market cap 31.12.2025	Market cap 30.06.2026
PKO	583	608	106	129
Pekao	352	368	53.8	60.1
Erste Bank Polska	309	323	55.7	65.9

Market value per PLN 100 of assets	31.12.2025	30.06.2026	Change
PKO	18.3	21.2	+2.9
Erste Bank Polska	18.1	20.4	+2.4
Pekao	**15.3**	**16.3**	**+1.0**

Pekao less Erste Bank Polska	31.12.2025	30.06.2026
Assets	+43.7 (+14.2%)	+45.2 (+14.0%)
Market capitalisation	**−1.9 (−3.4%)**	**−5.8 (−8.8%)**

Multiples at 30.06.2026	PKO	Pekao	Erste Bank Polska
Price / earnings	12.0	9.2	11.4
Price / book value	2.15	1.67	1.85

Assets are group total assets. Market capitalisations and multiples are struck on the same dates as the assets, and therefore differ from the 31 July 2026 market data used in Sections 3.3 and 6.2.

B.8 Polish banking sector aggregates (KNF, 30 June 2026)

	PLN million
Total sector assets	3,532,739
Loans and advances (amortised cost)	1,739,264
Gross non-financial sector receivables	1,345,711
Non-financial sector deposits	2,228,333
— households	1,572,850
— corporates	610,120
Total sector equity	318,542
Net interest income (H1 2026)	54,190
Net fee income (H1 2026)	10,590
Operating costs (H1 2026)	30,249
Gross profit (H1 2026)	33,754
Net profit (H1 2026)	**21,444**

Structural data	30.06.2026
Banking institutions (total)	553
— commercial banks	30
— branches of credit institutions	35
— cooperative banks	488
Commercial banks, domestic capital majority	12 (8 State Treasury-controlled)
Commercial banks, foreign capital majority	18
Employment	149,742

Appendix C. Methodology and glossary

C.1 Methodology notes

- **Pro-forma basis.** Simple arithmetic aggregation of reported figures. No purchase price allocation, no fair-value adjustment, no accounting-policy harmonisation, no elimination of intra-group balances. Both groups report under IFRS, which limits but does not eliminate comparability issues.

- **Cost base comparability.** The two banks present costs differently. PKO's administrative expenses (PLN 4,815 million in H1 2026; PLN 9,439 million in FY2025) include BGF contributions and depreciation but exclude the tax on certain financial institutions, which is disclosed separately. Pekao's general administrative expenses and depreciation (PLN 3,763 million in H1 2026) include both the bank levy and BGF contributions, while its separately reported "operating costs" (PLN 2,903 million in H1 2026; PLN 5,530 million in FY2025) exclude both. Throughout this report Pekao's cost base is restated to include BGF and exclude the levy — **PLN 3,320 million for H1 2026 and PLN 5,914 million for FY2025** — so that both banks are shown on the same basis. This reconciles exactly to both banks' own reported cost/income ratios (PKO 31.6% H1 2026 and 31.1% FY2025; Pekao 38.9% and 34.5%).
- **Combined ratios.** Cost/income computed as combined restated operating expenses over combined operating income. ROE and ROA for half-year periods annualised by doubling and dividing by period-end equity/assets — a simplification that overstates ROE relative to an average-equity calculation. NPL ratio shown as a weighted estimate, not a computed figure.
- **Market shares.** Computed against KNF sector aggregates. These differ from the banks' own reported market shares, which use NBP definitions and different denominators.
- **Network overlap.** Computed from the full Polish banking outlet database (9,103 records, review date March 2026) using the unique-locality identifier, which disambiguates identically named towns. Outlet types comprise branches (O), agencies and partner outlets (A) and head offices (C); head offices are excluded from the counts. Database outlet counts differ marginally from the banks' own reported figures owing to definitional and timing differences.
- **CEE data.** Group figures are controlled assets in the CEE-16 region at year-end 2025 and exclude M&A completed after 1 July 2026. Individual bank figures are unconsolidated. The UniCredit post-Commerzbank position is an indicative addition of mBank's assets to UniCredit's existing CEE base.
- **Synergies.** Benchmark-based, expressed as a percentage of the combined annualised cost base, supported by the network overlap analysis. After-tax perpetuity NPV at a 19% tax rate and 10% cost of equity. Integration costs at 1.5× run-rate synergies. No revenue synergies included.
- **Currency.** PLN throughout for Polish figures, with EUR translations at the NBP rate of 4.2963 (30.06.2026 balance sheet) and 4.2522 (H1 2026 average income statement). CEE benchmarking figures are as published in EUR.
- **Rounding.** Narrative figures are rounded to three significant figures. Tables sourced directly from financial statements retain reported precision.

C.2 Glossary

Term	Definition
BGF / BFG	Bank Guarantee Fund (Bankowy Fundusz Gwarancyjny)
C/I	Cost to income ratio
CEE-16	The sixteen Central and Eastern European markets covered by the regional benchmarking dataset
CET1	Common Equity Tier 1 capital
CoR	Cost of risk
CRR / CRD	Capital Requirements Regulation / Directive
GPW	Warsaw Stock Exchange (Giełda Papierów Wartościowych)
KNF / PFSA	Polish Financial Supervision Authority
MREL	Minimum Requirement for own funds and Eligible Liabilities
MREL-TREA / TEM	MREL as % of total risk exposure amount / total exposure measure
NBP	National Bank of Poland
NIM	Net interest margin
NPL	Non-performing loan
O-SII	Other Systemically Important Institution
OFE	Open Pension Fund (Otwarty Fundusz Emerytalny)
P/BV	Price to book value
PFR	Polski Fundusz Rozwoju (Polish Development Fund)
PZU	Powszechny Zakład Ubezpieczeń S.A.
ROE / ROA	Return on equity / return on assets
TCR	Total capital ratio
TREA	Total risk exposure amount (risk-weighted assets)

Appendix D. Information sources

Source	Content / use
PKO Bank Polski S.A. Group — Consolidated Financial Statements for 2025	FY2025 audited consolidated financials and notes
PKO Bank Polski S.A. Group — Directors' Report for 2025	FY2025 ratios, operational data, capital adequacy, strategy
PKO Bank Polski S.A. Group — Condensed Interim Consolidated Financial Statements, H1 2026	H1 2026 reviewed financials, shareholding, capital
PKO Bank Polski S.A. Group — Directors' Report for H1 2026	H1 2026 ratios, network, market shares
PKO Bank Polski — Financial results presentation, H1 2026	Operational data, NPL, MREL, customer financing
Bank Pekao S.A. Group — Report on the Activities for 2025	FY2025 ratios, capital adequacy, network, cost breakdown
Bank Pekao S.A. Group — Interim Condensed Consolidated Financial Statements, H1 2026	H1 2026 reviewed financials and notes
Bank Pekao S.A. Group — Report on the Activities for H1 2026	H1 2026 ratios, network, segment performance
Bank Pekao S.A. — Results presentation, Q2 2026	NPL, MREL, capital, digital metrics
Top 200 Banks in CEE, 2026 edition (Inteliace Research)	CEE-16 market sizes, group rankings, bank league table
KNF — Banking sector data, June 2026	Sector aggregates, structural data, sector P&L
Warsaw Stock Exchange — Domestic companies by market capitalisation, 31 July 2026	Market caps, P/E, P/BV, dividend yields
Matched-date assets and market capitalisation dataset, 31.12.2025 and 30.06.2026 (Inteliace Research)	Valuation-per-unit-of-assets analysis, Pekao–Erste gap, re-rating scenario
Database of Banking and Credit Union Outlets in Poland, March 2026	Network overlap analysis by locality
PKO Bank Polski — Investor relations, shareholder structure	Ownership
Bank Pekao S.A. — Investor relations, shareholder structure	Ownership
PZU S.A. and Bank Pekao S.A. — announcements on the planned combination, June 2025 and subsequent amendments	Structure, conditions and timetable of the PZU–Pekao transaction
Public reporting on the legislative prerequisites of the PZU–Pekao transaction, 2026	Status of the four required statutory amendments

End of report. Sections 6.4, 7.1, 7.2, 7.4, 8.1, 8.3, 8.4 and 10.2 have been deliberately removed. Transaction mechanics (Section 6.3) and all antitrust, prudential and legal analysis are also omitted at this stage — an omission of scope, not a finding on their significance.