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27 February 2019

**REPORT OF THE MANAGEMENT
BOARD**

of Bank Polska Kasa Opieki S.A.

with its registered seat in Warsaw

providing grounds for the division of

Centralny Dom Maklerski Pekao S.A.

Whereas, on 27 February 2019, the management boards of Centralny Dom Maklerski Pekao S.A. (“**CDM**” or the “**Company Being Divided**”), Bank Polska Kasa Opieki S.A. (the “**Bank**”) and Centrum Bankowości Bezpośredniej sp. z o.o. (“**CBB**”) agreed and signed a plan of the division of CDM (the “**Division Plan**”) as a result of which the management board of the Bank, pursuant to Article 536 of the Commercial Companies Code (the “**CCC**”), prepared this report providing grounds for the division (the “**Report**”).

1. Type, business name and registered seat of each of the companies participating in the division

1.1 The Company Being Divided:

Centralny Dom Maklerski Pekao S.A., with its registered seat in Warsaw, address: ul. Wołoska 18, 02-675 Warsaw, registered in the Register of Business Entities maintained by the District Court for the Capital City of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, under KRS No. 0000024477, NIP 5212654772, with a share capital of PLN 56,331,898.00.

1.2 The Acquiring Companies:

Bank Polska Kasa Opieki S.A., with its registered seat in Warsaw, address: ul. Grzybowska 53/57, 00-950 Warsaw, registered in the Register of Business Entities maintained by the District Court for the Capital City of Warsaw in Warsaw, XII Commercial Division of the National Court Register, under KRS No. 0000014843, NIP 5260006841, with a fully paid up share capital of PLN 262,470,034.00; and

Centrum Bankowości Bezpośredniej sp. z o.o., with its registered seat in Krakow, address: ul. Josepha Conrada 37, 31-357 Kraków, registered in the Register of Business Entities maintained by the District Court for Krakow-Śródmieście, XI Commercial Division of the National Court Register, under KRS No. 0000030709, NIP 6782829068, with a share capital of PLN 500,000.00.

2. The Division

The division of CDM (the “**Division**”) will be effected in accordance with the procedure specified in Article 529 § 1 point 1 of the CCC, i.e.:

- through a transfer of a part of the assets and liabilities as well as the rights and obligations of the Company Being Divided to the Bank in the form of an organised part of the enterprise of CDM connected with the provision of brokerage services involving: (i) the acceptance and transfer of orders to buy or sell financial instruments, (ii) the execution of the orders referred to in section (i) for the account of a client, (iii) the acquisition or disposal of financial instruments on own account, (iv) the provision of investment advice, (v) the offering of financial instruments, (vi) the provision of services under underwriting and placement agreements (*subemisja inwestycyjna i usługowa*) or the conclusion and performance of other similar agreements, if they relate to financial instruments, (vii) the keeping or registration of financial instruments, including the keeping of securities accounts, derivatives accounts and omnibus accounts, and cash accounts, (viii) advising companies on capital structure, corporate strategy and other matters related to such structure or strategy, (ix) the provision of advisory and other services relating to mergers, demergers and acquisitions of companies, (x) providing foreign-exchange services where such are connected with the activity referred to in Art. 69 section 2 of the Act on Trading in Financial

Instruments, (xi) the preparation of investment analyses, financial analyses and other recommendations of a general nature relating to transactions in financial instruments; and (xii) additional services related to underwriting and placement agreements (*subemisja inwestycyjna i usługowa*) (the “**Brokerage Business**”), provided that, within the scope of advising companies on capital structure, corporate strategy and other matters related to such structure or strategy and the provision of advisory and other services relating to mergers, demergers and acquisitions of companies (items (viii) and (ix) above, respectively), it needs to be stated that, as of the date of signing the Division Plan, CDM does not and, as of the Division Date (as defined below), does not intend to conduct any such business; and

- through the transfer of a part of the assets and liabilities as well as the rights and obligations of the Company Being Divided to CBB in the form of an organised part of the enterprise of CDM connected with the provision of call centre services involving, *inter alia*: (i) dealing with the execution of client telephone orders and instructions, (ii) rendering services to clients within the scope of executing transactions, (iii) servicing the product hotline and implementing sales plans, (iv) the disclosure of detailed information related to the services rendered, (v) cooperation with the implementation of the budget through the active sale of products; and (vi) the provision of sales support implemented through telephone distribution channels (the “**Call Centre Business**”),

in accordance with the detailed rules of the allocation of the assets and liabilities of the Company Being Divided based on the Division Plan, including Schedule 1 and Schedule 2 to the Division Plan, which describes in detail the carved out assets and liabilities of the Company Being Divided to be acquired by the Bank and CBB, respectively.

Pursuant to Article 530 § 1 of the CCC, the Company Being Divided shall be wound up without going into liquidation on the date on which it is struck off the applicable court register immediately upon the registration of the share capital increase of CBB as a result of the Division (the “**Division Date**”).

3. Legal grounds for the Division

The Division will be effected pursuant to Article 529 § 1 of the CCC by way of the transfer of all the assets and liabilities of the Company Being Divided to the Bank and CBB.

4. Economic justification of the Division

The Bank, CDM and CBB adopted a decision regarding the division of CDM whereby the brokerage services rendered in the past through CDM and the Bank will be integrated into a single entity (the Bank).

The decision fits into the strategy of improving the efficiency of the operation of this part of the business of the Bank’s group, assuming the integration of the brokerage business involving merging the operations of Pekao Investment Banking S.A. (to the extent of the services rendered to institutional clients) and Dom Inwestycyjny Xelion sp. z o.o. (to the extent of keeping brokerage accounts for retail clients) with the Bank.

The purpose of the efforts to integrate the brokerage business conducted in the Bank’s group into a single structure is to improve the quality and comprehensiveness of the brokerage services offered to both retail and institutional clients.

The consolidation of brokerage services into a single entity will allow for:

- the establishment of a centre of proficiency focusing on managing brokerage services and products in a single location within the Bank's group;
- the standardisation of the scope of brokerage products and services offered to clients by drawing on the strengths of each of the merged entities;
- a consistent client approach as a result of the cohesive segmentation of the client base within the scope of the Bank's group;
- the improvement of the operating efficiency of implementing new solutions for clients;
- the integration and development of the tools for remote client services up to the level enjoyed at present by the clients of the Bank; and
- the streamlining of the cost structure as a result of eliminating certain cost items within overlapping business areas.

The successful achievement of those goals will facilitate the advancement of the position of the Bank as a profitability leader as well as client relations, while strengthening the competitive position of the Bank's group on the brokerage services market.

The implementation of the ultimate model of rendering brokerage services in the Bank's group as a result of the application of identified business and cost synergies will permit more efficient management of the group's resources and the improvement of efficiency of the operations of this business area.

In the case of the business related to the call centre services, the transfer of this part of the business to CBB will allow:

- for the strengthening of the dynamic growth of the business of remote client services;
- to benefit from the comprehensive proficiency of employees in the area of client services related to investment products; and
- for the provision to employees of options related to their further development and the improvement of the scope of their proficiency.

The successful achievement of such goals will facilitate the development of a business area of material importance to the operations of the Bank's group and the continuation of the process of the consolidation of the call centre services into a single entity.

CDM, the Bank and CBB intend to transfer to the Bank and CBB, respectively, all of the rights and obligations as well as the assets and liabilities existing as at the Division Date and assigned to the Brokerage Business and the Call Centre Business, respectively. However, another assumption of the contemplated transaction is that the legal model of the transfer of such rights and obligations as well as assets and liabilities will ensure as a complete and uninterrupted continuation of the business conducted within the Brokerage Business and the Call Centre Business as possible and that the procedure will be automatic. Therefore, the Bank, CDM and CBB resolved to choose the procedure of division by acquisition as the model of integrating the Brokerage Business with the Bank and integrating the Call Centre Business with CBB, which complies with the above assumptions, because it is based on the principle of universal succession. In accordance with that principle, all of the rights and obligations as well as the assets and liabilities related to the Brokerage Business will be transferred to the Bank by operation of law on

the Division Date, while all of the rights and obligations as well as the assets and liabilities related to the Call Centre Business will be transferred to CBB by operation of law on the Division Date.

5. Share exchange ratio

The share capital of the Company Being Divided amounts to PLN 56,331,898.00 (fifty-six million, three hundred and thirty-one thousand, eight hundred and ninety-eight zlotys) and is divided into 1,817,158 (one million, eight hundred and seventeen thousand, one hundred and fifty-eight) shares having a nominal value of PLN 31 (thirty-one zlotys) each. According to the applied method of valuation based on the book value, the book value of the estate of the Company Being Divided as at 1 January 2019 is PLN 145,777,342.77 (one hundred and forty-five million, seven hundred and seventy-seven thousand, three hundred and forty-two and 77/100 zlotys), while the book value of the organised part of the enterprise connected with the Call Centre Business is PLN 25,000 (twenty-five thousand zlotys), which represents 0.017% of the balance sheet value of the Company Being Divided.

The share capital of CBB amounts to PLN 500,000.00 (five hundred thousand zlotys) and is divided into 1,000 (one thousand) shares having a nominal value of PLN 500 (five hundred zlotys) each. According to the applied method of valuation based on the book value, the book value of the estate of CBB as at 1 January 2019 is PLN 12,234,809.79 (twelve million, two hundred and thirty-four thousand eight hundred and nine and 79/100 zlotys). The balance sheet value of 1 (one) share in CBB as at 1 January 2019 is PLN 12,234.81 (twelve thousand, two hundred and thirty-four and 81/100 zlotys). The value of the estate that constitutes the organised part of the enterprise connected with the Call Centre Business as at 1 January 2019 reflects 2 (two) shares in CBB.

The exchange ratio pursuant to which the shares in the Company Being Divided will be exchanged for the shares in the acquiring company, i.e. CBB, is as follows: every 908,579 (nine hundred and eight thousand, five hundred and seventy-nine) shares in the Company Being Divided will entitle the title holder thereof to 1 (one) newly issued share in the increased share capital of CBB (the “**Share Exchange Ratio**”).

In order to determine the Share Exchange Ratio, the estate of CBB as well as the assets related to the Call Centre Business which will be taken over by CBB as a result of the Division have been valued. The valuations were based on the book value of the estates subject to the valuation. The book value method was chosen because of its simplicity, the clear interpretation of the valuation result and the fact that the valuation was based on the same generally accepted accounting standards. In addition, the choice of such method is supported by the fact that the companies subject to the valuation, CDM and CBB (and thus the part of the assets of CDM to be carved-out, i.e. the estate related to the Call Centre Business) are subject to the joint control of the same parent entity, the Bank and that the Division will not result in any change of control over such entities. The adopted valuation method also does not impact the economic result of the transaction. In accordance with the valuation methodology, the value of equity based on the book value is calculated by determining the difference between the balance sheet value of the assets and liabilities as of the valuation date. Those values were stated as at 1 January 2019, i.e. the valuation date. Consequently, in view of the purpose of the valuation and the above-described justification of the choice of the valuation method, the determined value of equity equals the book value of the net assets of the companies.

Since the methodology for the determination of the share exchange ratio is connected with rounding up the results and, in addition, the Division is being carried out by entities which

are under joint control, the results of the above calculations were rounded down to the nearest integer.

Following a review of the results of the above-mentioned valuations, the management boards of the Bank, CDM and CBB agreed to the above-mentioned Share Exchange Ratio.

Pursuant to Article 550 of the CCC, due to the fact that the Bank is the sole shareholder of the Company Being Divided, no increase of the share capital of the Bank is envisaged in connection with the Bank's acquisition of some of the assets and liabilities of the Company Being Divided. Consequently, the Bank will not issue any shares in exchange for the assets and liabilities of the Company Being Divided that it will acquire.

6. Special issues related to the valuation

No special issues were encountered in the course of the valuation of the assets of and shares in CDM.

7. Division criteria

As a result of the Division, the Bank will acquire the organised part of the enterprise related to the Brokerage Business, while CBB will acquire the organised part of the enterprise related to the Call Centre Business.

As stated in section 5 above, the Bank will not award any shares in exchange for the acquired assets and liabilities of the Company Being Divided.

However, the share capital of the second of the acquiring companies, i.e. CBB, will be increased in connection with the Division through the issuance of new shares in a number determined by applying the adopted Share Exchange Ratio. As a result of the Division, the Bank, as the sole shareholder of the Company Being Divided, will subscribe for all of the new shares in CBB issued in connection with the increase of the share capital of CBB within the scope of the Division, i.e. 2 (two) shares having a nominal value of PLN 500 (five hundred zlotys) each and a total nominal value of PLN 1,000 (one thousand zlotys).

8. Summary and recommendation

In view of the above, the management board of the Bank recommends to the shareholders of the Bank the above-presented concept of the Division of CDM and the adoption of the resolution regarding the Division of CDM in accordance with the draft attached as a schedule to the Division Plan.

[Signature page follows]

On behalf of Bank Polska Kasa Opieki S.A.

Tomasz Kubiak

Vice President of the Management Board

Tomasz Styczyński

Vice President of the Management Board