

Report on the activities of Bank Pekao S.A. Group for the first half of 2021



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Warsaw, August 2021

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1. Highlights of Bank Pekao S.A. Group

	1 HALF 2021	1 HALF 2020	2020	2019
INCOME STATEMENT – SELECTED ITEMS				
<i>(in PLN million)</i>				
Operating income	4,133	4,098	7,813	8,282
Operating costs	(1,983)	(1,831)	(3,468)	(3,537)
Profit before income tax	1,197	841	1,725	3,002
Net profit for the period attributable to equity holders of the Bank	850	546	1,102	2 165
PROFITABILITY RATIOS				
Return on average equity (ROE) - nominally	6.7%	4.6%	4.5%	9.5%
Return on average equity (ROE) - linearly adjusted for BGF charges	7.3%	5.4%	4.5%	9.5%
Return on assets (ROA)	0.7%	0.5%	0.5%	1.1%
Net interest margin	2.3%	2.7%	2.5%	2.9%
Cost / income ^(*) (including BFG cost)	53.6%	51.9%	49.3%	48.2%
Costs of risk	0.43%	1.01%	0.99%	0.46%
STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS				
<i>(in PLN million)</i>				
Total assets	243,093	235,304	233,217	203,323
Customers' financing ^(**)	163,175	152,441	151,684	151,384
Amounts due to customers ^(***)	192,069	184,099	177,745	157,203
Debt securities issued and subordinated liabilities	7,871	7,798	8,905	9,072
Equity	25,565	24,679	25,495	23,398
STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS				
Customers' financing ^(**) / total assets	67.1%	64.8%	65.0%	74.5%
Securities / total assets	24.0%	23.0%	26.7%	17.8%
Deposits ^(****) / total assets	82.2%	81.6%	80.0%	81.8%
Customers' financing ^(*) / deposits ^(****)	81.6%	79.4%	81.3%	91.0%
Equity / total assets	10.5%	10.5%	10.9%	11.5%
Total capital ratio	18.1%	18.4%	19.2%	17.1%
EMPLOYEES AND NETWORK				
Total number of employees ^(*****)	15,540	15,730	14,994	15,678
Number of outlets	669	785	713	805
Number of ATMs	1,549	1,644	1,592	1,648

(*) Including net investments in financial leases to customers, non-treasury debt securities and excluding reverse repo transactions.

(**) Excluding repo transactions and lease liabilities.

(***) Deposits include amounts due to customers, debt securities issued and subordinated liabilities.

(****) Data for December 31, 2020 and June 30, 2020 have been recalculated taking into account the retrospective recognition of part of the profit for 2020 (confirmation of the financial results by the General Shareholders Meeting) and the first half of 2020 (after the approval of the KNF), in accordance with the EBA position expressed in Q&A 2018_3822 and Q&A 2018_4085.

(*****) Including 707 people who became employees of the Bank on the basis of art. 23 of the Labor Code in connection with the acquisition of Idea Bank on 3 January, 2021.

Note: Income statement data included in the table above and other notes to the Report on activities were presented according to income statement in a presentation form, which differs from the long form of the income statement presented in the Financial statements of the Group. Reconciliation of income statement in the presentation form and the long form is in the point 6.8 of the Report on activities.

2. Highlights of Bank Pekao S.A.

	1 HALF 2021	1 HALF 2020	2020	2019
INCOME STATEMENT – SELECTED ITEMS				
	<i>(in PLN million)</i>			
Operating income	3,963	3,974	7,476	7,887
Operating costs	(1,838)	(1,691)	(3,191)	(3,204)
Profit before income tax	1,205	877	1,697	3,016
Net profit	891	606	1,126	2,247
PROFITABILITY RATIOS				
Return on average equity (ROE) - nominally	7.3%	5.3%	4.8%	10.2%
Return on average equity (ROE) - linearly adjusted for BGF charges	7.9%	6.1%	4.8%	10.2%
Return on assets (ROA)	0.8%	0.6%	0.5%	1.2%
Net interest margin	2.3%	2.8%	2.5%	2.9%
Cost / income ^(*) (including BFG cost)	52.2%	49.9%	47.7%	46.4%
Costs of risk	0.42%	1.05%	1.03%	0.43%
STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS				
	<i>(in PLN million)</i>			
Total assets	233,282	227,290	222,381	194,650
Customers' financing ^(**)	151,346	143,612	139,926	142,146
Amounts due to customers ^(***)	192,340	184,906	178,276	157,750
Debt securities issued and subordinated liabilities	2,806	4,159	3,281	4,369
Equity	24,758	23,858	24,647	22,527
STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS				
Customers' financing ^(**) / total assets	64.9%	63.2%	62.9%	73.0%
Securities / total assets	25.3%	23.9%	28.2%	18.6%
Deposits ^(****) / total assets	83.7%	83.2%	81.6%	83.3%
Customers' financing ^(*) / deposits ^(****)	77.6%	76.0%	77.1%	87.7%
Equity / total assets	10.6%	10.5%	11.1%	11.6%
Total capital ratio	20.3%	20.4%	21.3%	18.7%
EMPLOYEES AND NETWORK				
Total number of employees ^(*****)	13,389	13,630	12,870	13,779
Number of outlets	669	785	713	805
Number of ATMs	1,549	1,644	1,592	1,648

(*) Including non-treasury debt securities and excluding reverse repo transactions.

(**) Excluding repo transactions and lease liabilities.

(***) Deposits include amounts due to customers, debt securities issued and subordinated liabilities.

(****) Data for December 31, 2020 and June 30, 2020 have been recalculated taking into account the retrospective recognition of part of the profit for 2020 (confirmation of the financial results by the General Shareholders Meeting) and the first half of 2020 (after the approval of the KNF), in accordance with the EBA position expressed in Q&A 2018_3822 and Q&A 2018_4085.

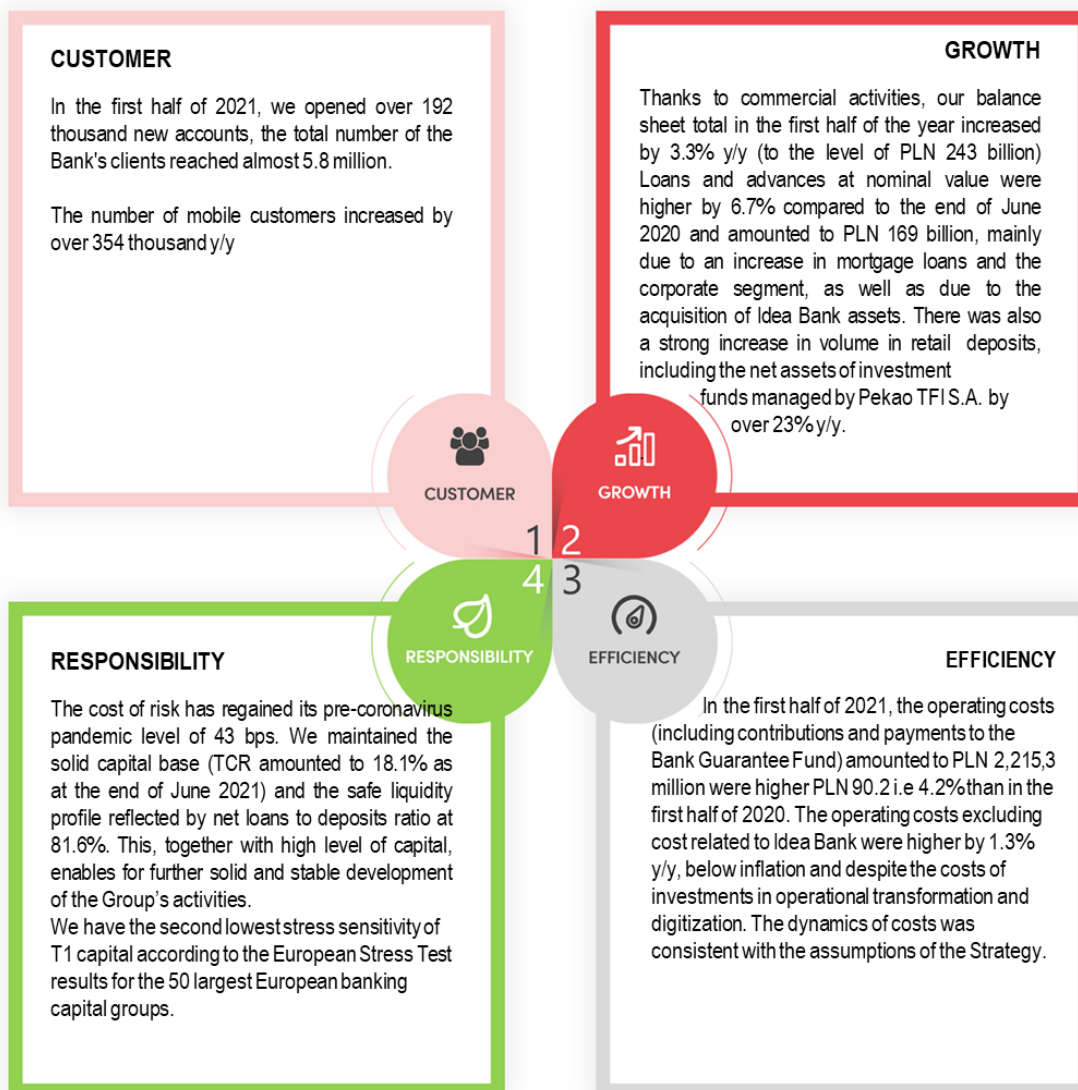
(*****) Including 707 people who became employees of the Bank on the basis of art. 23 of the Labor Code in connection with the acquisition of Idea Bank on 3 January, 2021.

3. Summary of Performance

In the first half of 2021, we generated the net profit of the Bank Pekao S.A. Group attributable to the Bank's holders at the level of **PLN 850.4 million** and it was higher by PLN 304.4 million i.e. 55.7% y/y, mainly thanks to higher net fee and commission income and lower impairment losses on assets financial, (higher write-offs related to the COVID-19 pandemic created in 2020).

ROE with linear BFG charges distribution reached the level of 7.3% in the first half of 2021, and in the second quarter it reached the level of 8.8%.

Despite the COVID-19 pandemic, we increased the scale of our commercial activities, actively supporting clients' financial liquidity and focusing on further improvement of cost-effectiveness, digitizing and automating processes, and implementing advanced digital solutions. We focused our activities in the following key strategic areas (in accordance with the adopted Strategy for 2021-2024).



Impact of the COVID-19 pandemic on the functioning of the Group

In the first half of 2021, we continued our activities undertaken in 2020 in connection with the COVID-19 pandemic, actively supporting clients in maintaining financial liquidity, accelerating the digitization of processes and actively encouraging clients to use remote channels in everyday banking.

We monitor the economic situation in the country and in the world on an ongoing basis. The various scenarios for the development of the epidemic and its impact on the economy are analyzed, as well as the best solutions that the Bank can adopt.

Strategy and key financial indicators

„**Responsible Bank. Modern banking**” is the new our strategy for the years 2021-2024, announced in March 2021.

According to the strategic plan, we:

- will be a **universal bank of first choice** for its customers
- will develop **remote** distribution and customer service **model**
- will focus on **cost and process efficiency**
- will grow in **most profitable market segments**

Our ambition in the 2024 horizon is to be among the most profitable and effective banks in Poland. Therefore, as part of the implementation of the new strategy, we focuses on:

- significant increase in the return on equity (ROE) from 4.5% in 2020 to ~10% in 2024 and
- reduction of the cost-to-income ratio (C / I) from 49% in 2020 to ~42% in 2024.

The main strategic goals also include an increase in the number of active mobile banking customers from 2 million in 2020 to 3.2 million in 2024.

4. External Activity Conditions

Epidemic environment

The spread of SARS-CoV-2 virus, which causes COVID-19 disease, forced authorities to periodically introduce a wide array of containment measures in order to limit the spread of the virus ease pressure on healthcare system from rising number of hospitalizations. That has serious impact on economic environment and functioning of enterprises, households and financial sector.

The government deployed several programs aimed at limiting negative economic impact of containment measures. Policies were focused on protecting employees and consumers (state paying part of wages, additional social transfers, exemptions from social security contributions), aiding particularly impacted sectors (tourism, transport, trade) and supporting enterprises (subsidies, credit guarantees). The Polish Development Fund (PFR) Financial Shield 1.0 provided PLN 60.8 billion to enterprises in 2020. In 2021 Financial Shield 2.0 may provide PLN 35 billion to enterprises from 54 sectors of the economy that were most severely impacted by pandemic.

Support for the real economy was accompanied by monetary and regulatory actions targeted at aiding financial sector. The most important include:

- NBP operations aimed at improving the liquidity of the sector (REPO transactions, bond purchase and others),
- reduction of the systemic risk capital buffer from 3% to 0% (aimed at freeing up capital and thus providing credit support to the economy during the crisis),
- reduction of the mandatory reserve requirement from 3.5% to 0.5%,
- reduction of the payments to Bank Guarantee Fund in 2021 by 30% y/y,
- recommendations to retain all profits from previous years instead of paying out dividends,
- milder requirements for the credit assessment of banks required by the KNF (which is intended to provide more support for companies in financial difficulties),
- looser requirements in terms of IFRS9 (reducing the translation of a crisis situation into risk costs),
- deferred MREL requirements.

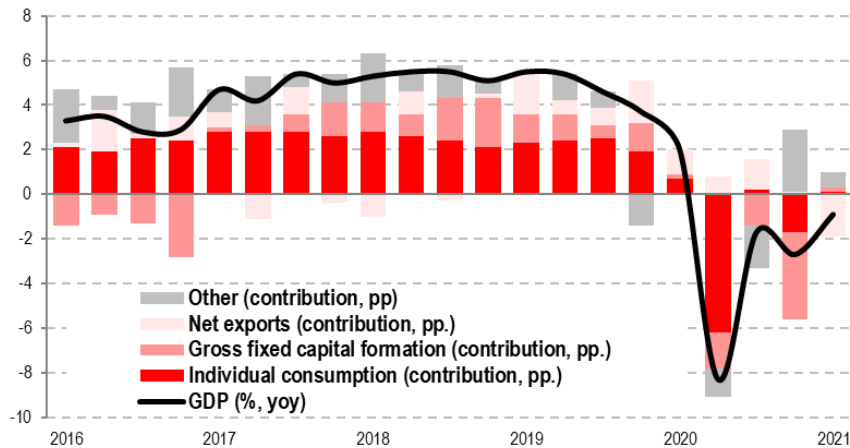
The impact of the COVID-19 pandemic on banks' activities remained substantial in the first half of 2021, although the situation is different now than in 2020. Lending still remained at relatively low levels in most product categories, while the low interest rate environment affected net interest income. At the same time, however, mitigation of the economic impact of the pandemic (especially since 2Q21) and growing optimism (linked, among other things, to the vaccination process) allowed for an improvement in the cost of risk, which in 2020 was one of the main reasons for the deterioration in the sector's financial performance.

Most of the containment measures were lifted in the second quarter of 2021 as the third wave of COVID-19 cases. The spread of Delta variant of SARS-CoV-2 virus in Europe means that in the second half of 2021 Poland is likely to face the fourth wave. Taking into account the fact that substantial part of population has been vaccinated, the number of hospitalizations and hence the pressure on healthcare system is likely to be smaller than experience during previous COVID-19 waves. As a result the scope of epidemic restrictions and its negative impact on the economy should also be less severe than observed earlier.

Economic growth

In the first quarter of 2021 Gross Domestic Product (GDP) fell by 0.9% year on year as compared to 2.7% year on year decline in the fourth quarter. In the first quarter of 2021 GDP increased by 1.1% qoq sa after falling by 0.5% qoq in the previous quarter. Domestic demand advanced by 1.1% year on year vs. 2.9% year on year decline in the fourth quarter of 2020, while negative contribution of foreign trade to GDP amounted to 1.9 p.p. Household's consumption increase by 0.2% year over year amid COVID-19 epidemics containment measures. Investment went up by 1.3% yoy despite elevated uncertainty about the impact of pandemics on domestic and global economic growth prospects.

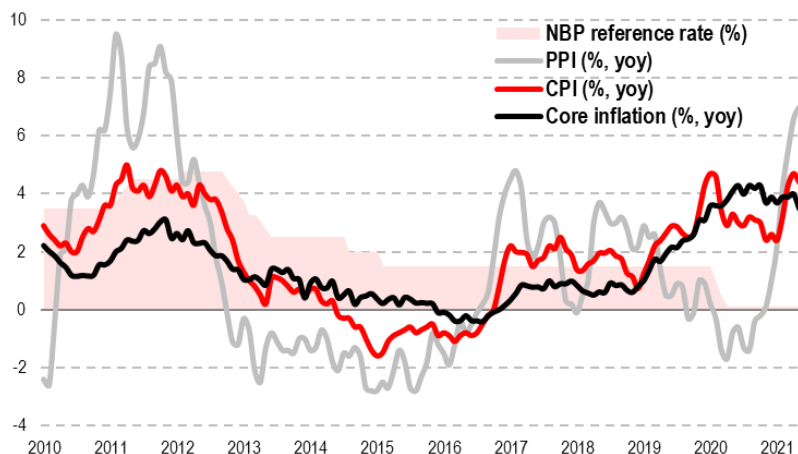
Pent up demand unfolded in the second quarter of 2021 as COVID-19 containment measures were lifted, translating into spectacular economic rebound. In annual terms domestic economy probably expanded at double-digit rate and regained pandemic losses. In 2021 economic growth should clearly exceed 5% despite risks linked to the fourth wave of pandemic in Poland.



Inflation and monetary policy

According to preliminary estimate in June 2021 CPI inflation moderated to 4.4% year on year from 4.7% year on year in May, mainly as a result of lower core inflation and slower growth of fuel prices for personal transport equipment. In the second quarter of 2021 inflation was running above the upper bound of the range of permissible deviations from the National Bank of Poland (NBP) target (2.5%, +/- 1 p.p.). In June annual price growth was mainly driven by higher prices of transport (19.5% year on year) and dwelling that contributed 1.62 p.p. and 1.32 p.p. respectively to CPI growth. In the second quarter of 2021 consumer prices went up by 4.5% yoy after increasing by 2.7% yoy in the first quarter of the year.

The Monetary Policy Council (MPC) maintains expansionary policy targeted at supporting economic recovery. In the second quarter of 2021 the NBP reference rate remained at record-low of 0.10%. Deposit rate stood at 0.00% and lombard rate at 0.50%. The central bank also intensified its purchases of purchasing treasury bonds and state-guaranteed bonds on the secondary market at structural open market operations. So far the NBP purchased securities worth nearly PLN 136 billion.



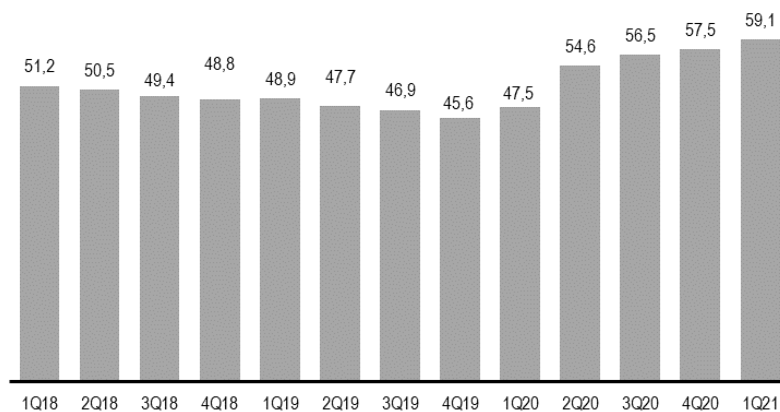
Fiscal policy

According to the preliminary data of the Ministry of Finance after June the state budget (cash basis) posted a PLN 28,0 billion deficit, while the budget act assumes envisages a deficit of PLN 82.3 billion. Budget revenues amounted to PLN 234,0 billion and were PLN 18,5 billion higher than in the corresponding period of 2020, whereas budget expenditures totaled PLN 206,0 billion and were PLN 8,5 billion lower than in the first half of 2020. Tax revenues increased by about PLN 29.6 billion. VAT tax collections were 35,4% higher than in the first six months of 2020 and proceeds from excise duty went up by 5.1% year on year. Revenues from direct taxes also rose – corporate income tax (CIT) receipts increased by 15.4% year on year; revenues from personal income tax (PIT) jumped up 17.7% year on year. Lower than in corresponding period of last year budget spending stemmed from lower subsidy to the Social Security Fund that received sizable transfer at the end of 2020.

At the end of the first quarter of 2021 the state public debt reached PLN 1 152.7 billion and was PLN 40.8 billion higher than at the end of 2020. Domestic debt rose by PLN 22.7 billion during the quarter, while foreign debt increased by PLN 18.2 billion. In relation to GDP the state public debt went up to 49.0% from 47.8% at the end of in 2020. The general government debt reached PLN 1 389.8 billion i.e. 59.1% of GDP at the end of the first quarter of 2021.

Some expenditures linked to taming consequences of COVID19 pandemics is financed by the issuance of Bank Gospodarswa Krajowego bonds (COVID-19 Combating Fund) and Polish Development Fund (financial shield for enterprises). In the first half of 2021 the BGK and the PDF issued state-guaranteed bonds worth about PLN 30 billion.

General government debt, % of GDP



The exchange rate

Throughout most of the second quarter (until late May) the euro has been strengthening against the US dollar. This move was favored by steady decline in inflation expectations and unwinding of market bets on early monetary tightening due to the spike in inflation in Spring. This allowed for market sentiment towards risk assets to be rebuilt and differences in expectations regarding the US and euro area economies as well as in perceptions of their short-term trajectories to be narrowed considerably. The latter was facilitated by the acceleration in EU vaccination campaigns and reopening of the economy. Only in June, when the Fed surprised in a hawkish way (first in the Minutes, with respect to the timing of bond purchase tapering, second in the meeting, when "dots" moved upward), has the dollar regained its strength. Eventually, EUR-USD dropped from 1.22 to 1.18 over several days.

In Spring sentiment towards the PLN improved as well. Over the course of three months (April-June) the PLN gained 14 figures against the EURO, 16 figures against the USD and 9 figures vis-a-vis the CHF. If the late-June weakening is factored in, the total appreciation move was impressive. Between late March and early June the PLN gained 31, 21 and 15 figures against the aforementioned majors. The PLN rally can be traced back to two factors: the improvement towards risk assets globally and bets on earlier tightening by the National Bank of Poland. At its zenith, FRA contractis were pricing in the first hike this October already. Towards the end of the quarter the PLN started to weaken again due to the rebound in the US dollar and the rate hikes in other countries of the region (Czechia and Hungary), which put the NBP in the spotlight as the most dovish central bank in the CEE region.



Banking sector

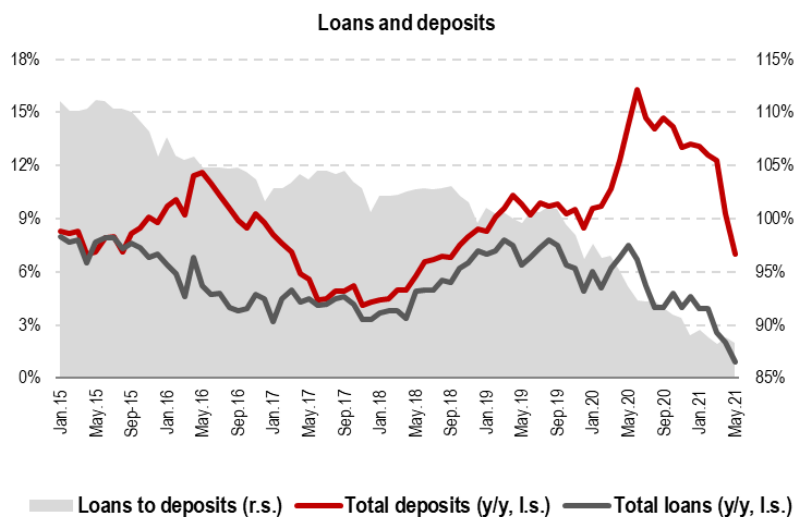
According to the Financial Supervision Authority (KNF) data, in the period of January-May 2021 net profit of the banking sector amounted to PLN 5.8 billion and rose by 70% in comparison to corresponding period of 2020. Although interest income remains under pressure from low interest rates, significant improvement in the result was possible primarily due to significantly lower cost of risk (the result of, among other, a better understanding of the actual economic impact of the crisis and greater optimism about future developments of the situation) as well as rising fee and commission income.

Total net operating income of banks was similar to last year's (-1% y/y). The decline in the key net interest income (-13% y/y) caused by low interest rates was almost fully covered by a strong increase in fees and commission income (+16% y/y) and a recovery in other income (+72% y/y). In addition, banks' operating expenses decreased (-4% y/y). For the reasons mentioned above (and with last year's high base), the sector's cost of risk was significantly lower (-40% y/y).

At the end of May 2021 total assets of the banking sector amounted to PLN 2,436 billion and increased by 8.1% compared to May 2020. Total receivables from the non-financial sector stayed nearly the same (-0.3% y/y), while total deposits from this sector increased by 7.8% year on year.

According to the National Bank of Poland (NBP), at the end of May 2021 the nominal volume of households' loans increased by 2.4% compared to year before and fell by 5.7% in case of enterprises. Although in both cases dynamics have been improving in recent months, it is to a large extent supported by the low 2020 base (which already includes the first phases of the COVID-19 crisis).

The inflow of funds paid out to companies under the so-called anti-crisis shield, the protection of jobs and, in addition, the effect of accumulating savings in anticipation of a worsening environment translated into strong deposit growth in 2020. Now, due to the high base (inflows started in the second quarter of 2020), the rate of growth in volumes is slowing markedly – at the end of May it was 6.5% y/y for households and 10.6% y/y for companies.



5. Important Events and Achievements

5.1 Description of the Group

The composition of Bank Pekao S.A. Group is presented in the Notes to the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the first half of 2021.

5.2 Changes in the Group's structure

Acquisition of the shares of Krajowy Integrator Płatności S.A.

On 31 March, 2021, the purchase transaction was completed, as a result of which Bank became the owner of 210,641 shares constituting 38.33% of the capital and entitling to 38.33% of votes at the General Meeting of Krajowy Integrator Płatności S.A. with its seat in Poznań, the operator of the Tpay.com system.

5.3 Changes in the Statutory Bodies of the Bank

Changes in the Bank's Supervisory Board

On 7 June 2021 Mr. Marcin Eckert resigned from the position of the Vice Chairman of the Supervisory Board of the Bank and from the composition of the Supervisory Board of the Bank, effective at the time of its submission. The resignation did not contain information about its reasons.

On 11 June 2021, the Ordinary General Meeting of the Bank, taking into account the suitability assessment, appointed Mr. Marcin Izdebski to the composition of the Supervisory Board of the Bank as of 11 June 2021 for the period until the end of the current joint term of office of the Supervisory Board of the Bank.

According to the submitted statement Mr. Marcin Izdebski does not conduct any business competitive to that of the Bank and is not involved in a competitive business as a shareholder or partner in a civil law company, a partnership or a corporation or a member of a corporate body of a competitive legal person. According to the submitted statement Mr. Marcin Izdebski is not registered in the Register of Insolvent Debtors kept pursuant to the provisions of the KRS (National Court Register) Act of 20 August 1997.

The composition of the Supervisory Board of Bank Pekao S.A. has as follows:

AS AT THE DATE OF SUBMITTING THE REPORT FOR THE FIRST HALF OF 2021	30 JUNE 2021	AS AT THE DATE OF SUBMITTING THE REPORT FOR THE FIRST QUARTER OF 2021
Beata Kozłowska-Chyła Chairman of the Supervisory Board	Beata Kozłowska-Chyła Chairman of the Supervisory Board	Beata Kozłowska-Chyła Chairman of the Supervisory Board
Joanna Dynysiuk Deputy Chairman of the Supervisory Board	Joanna Dynysiuk Deputy Chairman of the Supervisory Board	Joanna Dynysiuk Deputy Chairman of the Supervisory Board
Małgorzata Sadurska Deputy Chairman of the Supervisory Board	Małgorzata Sadurska Deputy Chairman of the Supervisory Board	Marcin Eckert Deputy Chairman of the Supervisory Board
Stanisław Ryszard Kaczoruk Secretary of the Supervisory Board	Stanisław Ryszard Kaczoruk Secretary of the Supervisory Board	Stanisław Ryszard Kaczoruk Secretary of the Supervisory Board
Sabina Bigos-Jaworowska Member of the Supervisory Board	Sabina Bigos-Jaworowska Member of the Supervisory Board	Sabina Bigos-Jaworowska Member of the Supervisory Board
Justyna Głębiowska-Michalak Member of the Supervisory Board	Justyna Głębiowska-Michalak Member of the Supervisory Board	Justyna Głębiowska-Michalak Member of the Supervisory Board
Michał Kaszyński Member of the Supervisory Board	Michał Kaszyński Member of the Supervisory Board	Michał Kaszyński Member of the Supervisory Board
Marian Majcher Member of the Supervisory Board	Marian Majcher Member of the Supervisory Board	Marian Majcher Member of the Supervisory Board
Marcin Izdebski Member of the Supervisory Board	Marcin Izdebski Member of the Supervisory Board	Małgorzata Sadurska Member of the Supervisory Board

Changes in the Bank's Management Board

On 14 January 2021 the Supervisory Board of the Bank, after assessing suitability, appointed Mr. Błażej Szczecki and Mr. Wojciech Werochowski to the Management Board of the Bank for the current joint term of office as the Vice President of the Management Board of the Bank with the effect from 15 January 2021, and Mr. Jerzy Kwieciński to the Management Board of the Bank for the current joint term of office as the Vice President of the Management Board of the Bank with the effect from 1 February 2021.

According to the submitted statement Mr. Błażej Szczecki does not conduct any business competitive to that of the Bank and he is not involved in a competitive business as a shareholder or partner in a civil law company, a partnership or a corporation or a member of a corporate body of a competitive corporation or legal person. Mr. Błażej Szczecki is not registered in the Register of Insolvent Debtors kept pursuant to the provisions of the KRS (National Court Register) Act of 20 August 1997.

According to the submitted statement Mr. Wojciech Werochowski does not conduct any business competitive to that of the Bank and he is not involved in a competitive business as a shareholder or partner in a civil law company, a partnership or a corporation or a member of a corporate body of a competitive corporation or legal person. Mr. Wojciech Werochowski is not registered in the Register of Insolvent Debtors kept pursuant to the provisions of the KRS (National Court Register) Act of 20 August 1997.

According to the submitted statement Mr. Jerzy Kwieciński does not conduct any business competitive to that of the Bank and he was not involved in a competitive business as a shareholder or partner in a civil law company, a partnership or a corporation or a member of a corporate body of a competitive corporation or legal person. Mr. Jerzy Kwieciński is not registered in the Register of Insolvent Debtors kept pursuant to the provisions of the KRS (National Court Register) Act of 20 August 1997.

On 4 February 2021, the Polish Financial Supervision Authority unanimously expressed consent to the appointment of Mr. Leszek Skiba as the President of the Management Board of the Bank. Obtaining the said consent results in fulfillment of the condition of becoming the President of the Management Board of the Bank.

According to the submitted statement Mr. Leszek Skiba did not conduct any business competitive to that of the Bank and he was not involved in a competitive business as a shareholder or partner in a civil law company, a partnership or a corporation or a member of a corporate body of a legal person. Mr. Leszek Skiba was not registered in the Register of Insolvent Debtors kept pursuant to the provisions of the KRS Act of 20 August 1997.

On 15 February 2021, the Polish Financial Supervision Authority unanimously expressed consent to entrust Mr. Marcin Gadomski with the position of the Member of the Management Board of the Bank supervising the management of material risk in the Bank's operations. Obtaining the said consent results in fulfillment of the condition of becoming the Vice President of the Management Board of the Bank supervising the management of material risk in the Bank's operations.

According to the submitted statement Mr. Marcin Gadomski does not conduct any business competitive to that of the Bank and he is not involved in a competitive business as a shareholder or partner in a civil law company or partnership or a member of a corporate body of a competitive corporation or legal person. Mr. Marcin Gadomski is not registered in the Register of Insolvent Debtors kept pursuant to the provisions of the KRS Act of 20 August 1997.

On 20 July 2021 Mr. Krzysztof Kozłowski resigned from the position of the Vice-President of the Management Board of the Bank as well as from the composition of the Management Board of the Bank, with the effect at the end of 3 August 2021.

The composition of the Management Board of Bank Pekao S.A. has as follows:

3 AUGUST 2021	30 JUNE 2021	AS AT THE DATE OF SUBMITTING THE REPORT FOR THE FIRST QUARTER OF 2021
Leszek Skiba President of the Management Board	Leszek Skiba President of the Management Board	Leszek Skiba President of the Management Board
Jarosław Fuchs Vice President of the Management Board	Jarosław Fuchs Vice President of the Management Board	Jarosław Fuchs Vice President of the Management Board
Marcin Gadomski Vice President of the Management Board	Marcin Gadomski Vice President of the Management Board	Marcin Gadomski Vice President of the Management Board
Krzysztof Kozłowski Vice President of the Management Board	Krzysztof Kozłowski Vice President of the Management Board	Krzysztof Kozłowski Vice President of the Management Board
Tomasz Kubiak Vice President of the Management Board	Tomasz Kubiak Vice President of the Management Board	Tomasz Kubiak Vice President of the Management Board
Jerzy Kwieciński Vice President of the Management Board	Jerzy Kwieciński Vice President of the Management Board	Jerzy Kwieciński Vice President of the Management Board
Błażej Szczecki Vice President of the Management Board	Błażej Szczecki Vice President of the Management Board	Błażej Szczecki Vice President of the Management Board
Wojciech Werochowski Vice President of the Management Board	Wojciech Werochowski Vice President of the Management Board	Wojciech Werochowski Vice President of the Management Board
Magdalena Zmitrowicz Vice President of the Management Board	Magdalena Zmitrowicz Vice President of the Management Board	Magdalena Zmitrowicz Vice President of the Management Board

Management Board of Bank Pekao S.A. on 3 August 2021 consists of nine members. Members of the Management Board are appointed by the Supervisory Board for a joint three-year term of office. The Management Board ensures that the management system at the Bank is transparent and effective and runs the Bank's affairs in compliance with applicable laws and Best Practices. The core values underlying the management of the Bank are professionalism, reliability and confidentiality.



LESZEK SKIBA

President of the Management Board

Leszek Skiba is President of the Management Board.

In 2015, he was appointed Undersecretary of State in the Ministry of Finance, where he was responsible for the supervision over macroeconomic policy and tax legislation. He was also supporting legislative works connected with financial and capital markets, and prepared general outline of the budget system reform. Between March 2019 and April 2020 he served as the President of the Council of the Bank Guarantee Fund.

Between 2009 and 2015 Leszek Skiba worked at the National Bank of Poland, at the Economic Institute, where he worked on NBP's report devoted to the consequences of Poland's membership of the euro area and prepared analyses of the euro area economy. Since 2009, Leszek Skiba has been running public non-profit activities as the President of the Council and expert of the Sobieski Institute.

Leszek Skiba is a graduate of master's degree studies at the Warsaw School of Economics, in the faculty of International Economic and Political Relations. He's the author of numerous publications in the field of his professional work and public activities.

Leszek Skiba fulfills suitability requirements determined in art. 22aa of Banking Law Act.



JAROSŁAW FUCHS

Vice President of the Management Board supervising the Private Banking and Investment Products Division

Jarosław Fuchs Vice President of the Management Board supervising the Private Banking and Investment Products Division.

Jarosław Fuchs received his Master degree with honors in Marketing and Management, in the Faculty of Management of AGH University of Science and Technology in Cracow, as well as he graduated from Banking and Finance studies in Cracow University of Economics.

He started his career in 1994, initially in Big Bank S.A. and AGH University of Science and Technology in Cracow, where he acted as a teaching assistant in Management Faculty. From 1996 to 1997, he worked for Raiffeisen Centrobank S.A. Branch in Cracow, where he was responsible for building relationships with corporate customers. From September 1997, Jarosław Fuchs worked for Societe Generale Warsaw Branch as a Senior Marketing Specialist in the Trade Office in Cracow. In October 2000, he moved to Fortis Bank Polska S.A., as a Senior Customer Advisor in Medium and Large Enterprises Center.

From March 2003, Jarosław Fuchs worked for Bank Millennium S.A. in the position of the Senior Expert and, subsequently – Director of Małopolskie Customer Cooperation Center (Medium and Large Enterprises). From August 2004, he was associated with Bank BPH S.A. in Cracow and next, from December 2007 with Bank Pekao S.A. in managerial positions responsible for corporate customer relations. From March 2011, Jarosław Fuchs was responsible for management of Private Banking Relationship Managers Team as a Regional Sales Office Director in Cracow. At the same time, from 2013, Jarosław Fuchs was working for Pekao Central Brokerage House as a Director in the Region in Strategic Customers Office, where he was responsible for investment product distribution for strategic customers.

Jarosław Fuchs fulfills suitability requirements determined in art. 22aa of Banking Law Act.



MARCIN GADOMSKI
Vice President of the
Management Board
supervising the Risk
Management Division

Marcin Gadomski Vice President of the Management Board supervising the Risk Management Division.

Marcin Gadomski graduated from the Warsaw School of Economics, majoring in Finance and Banking. He was also a scholarship holder studying at the University of Kiel (Germany) and completed doctoral studies at the Warsaw School of Economics. He passed a number of professional certification exams, including: Financial Risk Manager (FRM), Association of Chartered Certified Accountants (ACCA), Project Management Professional (PMP). He participated in the Leadership Development Program run by The John Maxwell Team as well as the Deloitte Leadership Program.

Marcin Gadomski began his professional career at the consulting company Ernst & Young (now EY) in 2002, where he conducted projects in the area of risk, finance and internal audit in financial institutions and non-financial enterprises. During this period, for several years he supported the Pekao Group in implementing among others requirements of IAS 39, Basel II and solutions regarding capital management as well as assets and liabilities management.

Then he continued his career with Deloitte Advisory, first in 2008-2012 as a Senior Manager, and, after a break, in 2016-2018 as a Director. As part of Deloitte Advisory, Marcin Gadomski provided solutions for the largest financial institutions in Poland and abroad (banks, insurers, leasing companies, brokerage houses), among others in the field of credit policy, risk models, improving the credit process for retail and corporate clients, market and liquidity risk management, regulatory requirements (e.g. IFRS 9, the PFSA recommendations, regulations regarding capital requirements, liquidity, information or reporting obligations), due diligences for takeover purposes.

In the years 2012 - 2016 Marcin Gadomski was the Director of Retail Credit Risk Unit at Bank Millennium. He was responsible for credit risk strategy, risk appetite, credit policy, credit assessment models, credit decision engines, risk reporting, credit product profitability assessment and credit process support for such business lines as unsecured consumer loans, mortgage loans and small business.

From August 2018 to November 2019 Marcin Gadomski was a Member of the Management Board of Pekao Bank Hipoteczny S.A., where on 20 November 2018 he obtained the consent of the Polish Financial Supervision Authority to entrust him the function of the Member of the Management Board supervising the management of material risks in the bank's operations. Between 29 November 2019 and 21 April 2020 Marcin Gadomski held position of the Vice President of the Management Board of Bank Pekao S.A. responsible for Risks Management Division. Later he was Credit Risk Director there.

Marcin Gadomski meets suitability requirements determined in art. 22aa of the Banking Law Act.



KRZYSZTOF KOZŁOWSKI
Vice President of the
Management Board
supervising the activities of the
Strategy Division

Krzysztof Kozłowski Vice President of the Management Board supervising the activities of the Strategy Division.

He has a Ph.D. degree awarded in 2010 at the Faculty of Law and Administration of the Jagiellonian University. Since 2011, an associate professor at the Department of Constitutional Law at the Faculty of Law and Administration of the Jagiellonian University. Author of several of scientific publications, as well as a participant of foreign stays, internships and scientific programs. In 2013, entered on the list of advocates (as a non-practicing advocate). He also passed the judge exam.

In the years 2013–2015 an assistant to a justice of the Constitutional Tribunal. In the years 2013–2015, he was a representative–substitute in the Group of Independent Experts of the European Local Government Charter of the Council of Europe in Strasbourg.

From April 2015 to December 2015 he was a member of the Supervisory Board of Tomaszowski Towarzystwo Budownictwa Społecznego sp.z o.o. From December 2015 to September 2016, Undersecretary of State in the Ministry of Maritime Economy and Inland Navigation. From September 2016 to January 2018 he was the West Pomeranian Voivode. In the period from January 2018 to April 2020, he was the Secretary of State in the Ministry of the Interior and Administration.

Krzysztof Kozłowski supervises the Bank's Strategy Division is responsible for the organization of projects of strategic importance for the Bank and the Group, preparation of the Strategy and services for the Bank's corporate bodies.

Krzysztof Kozłowski fulfills suitability requirements determined in art. 22aa of Banking Law Act.

On 20 July 2021 Mr. Krzysztof Kozłowski resigned from the position of the Vice-President of the Management Board of the Bank as well as from the composition of the Management Board of the Bank, with the effect at the end of 3 August 2021.



TOMASZ KUBIAK
Vice President of the
Management Board
supervising the Financial
Division

Tomasz Kubiak , Vice President of the Management Board supervising the Financial Division.

Tomasz Kubiak, since 2001 has been professionally associated with Bank Pekao S.A. In the years 2011-2015 he was a Member of the Supervisory Board of Pekao Bank Hipoteczny S.A., from 2017 he was the Deputy Chairman and from June 2018 the Chairman. From August 2017, a member of the Supervisory Board of Pekao Leasing Sp. z o.o. From September 2018, he was a Chairman of the Supervisory Board of Pekao Investment Management S.A., and from July 2019 he is the Vice-Chairman of the Supervisory Board of the Company.

From June 2021, the Secretary of the Supervisory Board of Pekao Investment Banking S.A., as a member, he sits on the Supervisory Board of Pekao Investment Banking S.A. from August 2017.

He started his career in Finance Division in controlling area. In last years, he held the position of Managing Director of the Department of Capital Allocation and Asset and Liability Management, responsible for managing the balance sheet, liquidity and capital of the Bank.

Tomasz Kubiak supervises the Bank's Financial Division, he is responsible, among others, for the area of planning and controlling, accounting and reporting, taxes, capital and liquidity management, and data management.

He graduated of the Warsaw University of Technology, Faculty of Technical Physics and Applied Mathematics. He holds CFA and PRM (Professional Risk Manager) certificates, he was honored by Award of Merit by the international PRMIA organization, associating risk managers.

Tomasz Kubiak meets suitability requirements determined in art. 22aa of the Banking Law Act.



JERZY KWIECIŃSKI
Vice President of the
Management Board
supervising the Corporate
Banking and MIB Division

Jerzy Kwieciński, Vice President of the Management Board supervising the Corporate Banking and MIB Division.

He is a graduate of Faculty of Materials Engineering of the Warsaw University of Technology and holds a degree of Doctor in the field of technical science. He also completed a postgraduate course for managers at the Warsaw School of Economics and an international Master of Business Administration (MBA) programme run by the University of Antwerp, the University of Staffordshire, the Free University of Brussels and the University of Warsaw. Jerzy Kwieciński also has experience in academic and research and development work, which he gained, among others at the Warsaw University of Technology and as a visiting professor at Brunel University of West London.

Jerzy Kwieciński has more than 30 years of international experience in strategic planning, management of large organizations, programs and projects in the public, private, non-governmental and scientific research sectors, including energy sector. From 1993 to 2004, he worked for the European Commission Representation in Poland, where his duties included management of programmes and projects financed by the European Union. He also participated in the works preparing Poland for membership in the European Union. Between 2004 and 2005 he was the President of Europejskie Centrum Przedsiębiorczości sp. z o.o., where in 2008-2015 he acted as a Vice-President of the Management Board.

In 2005, Jerzy Kwieciński took a position of the Undersecretary of State at the Ministry of Regional Development, where he coordinated the national development policy and cohesion policy, including the work on the National Development Strategy for 2007-2015 and the National Cohesion Strategy for 2007-2013.

Between 2008 and 2015, he served as President of the Management Board of JP Capital Group sp. z o.o., specializing in preparation and implementation of projects and innovations, including establishing and running start-ups. In that period he was also head of Fundacja Europejskie Centrum Przedsiębiorczości (European Entrepreneurship Centre Foundation). In 2015, he was appointed the Secretary of State in the Ministry of Development. Since 2015, he has been a member of the National Development Council. In November 2015, he was appointed the First Deputy of the Deputy Prime Minister in the Ministry of Development. From January 2018, he held the office of the Minister of Investment and Development, and from September 2019 he served also as the Minister of Finance. He held both functions until November 15, 2019. He worked on, among others on preparation and implementation of the Strategy for Responsible Development and implementation of cohesion policy.

From January to December 2020 he acted as President of the Management Board of Polskie Górnictwo Naftowe i Gazownictwo S.A. (PGNiG), he has been a member of the Supervisory Board in TUW Polski Gaz, Europolgaz SA and President of the Board of Directors PGNiG Upstream Norway.

From March 2021, Chairman of the Supervisory Board of Pekao Investment Banking S.A. and since April 2021, Member of the Supervisory Board of Pekao Leasing Sp. z o.o.

Jerzy Kwieciński fulfills suitability requirements determined in art. 22aa of Banking Law Act.



BŁAŻEJ SZCZECKI
Vice President of the
Management Board
supervising Banking
Operations and IT Division

Błażej Szczecki, Vice President of the Management Board supervising the Banking Operations and IT Division.

Professionally associated with the Pekao Group since 2004. From 2018 till 2021 he has served as the Chief Transformation Officer and subsequently as the Chief Strategy Officer of Bank Pekao, responsible a.o. for the digital and operational transformation, as well as for the coordination of the work on the strategy of the Bank. From 2017 till 2018 he was responsible for the Transformation and Services Division, where he managed a.o. IT and Operations of the Bank. In 2010- 2017 he was Member of the Management Board of Pekao Leasing Sp. z o.o., where he assumed responsibility for IT, operations, insurance business, and customer service.

Previously, from 2004 till 2010 he held various leadership roles in the Corporate Banking Division of Bank Pekao, including participation in the taskforce preparing the merger of Bank Pekao with the BPH Bank. Before joining Bank Pekao, he worked as consultant for McKinsey and Co. in Frankfurt (Main) in Germany. He also served as a research associate at the University in Frankfurt (Oder) and in Giessen (Germany), as well as professional experience at Dresdner Bank. Since 2017 he has served as the Chairman of the Supervisory Board of Centrum Kart. In addition, from 2017 till 2020 he was also the Vice-chairmen of the Supervisory Board of Pekao Financial Services.

From 2017, Chairman of the Supervisory Board of Centrum Kart S.A. From 2017 to August 2020, in the Supervisory Board of Pekao Financial Services Sp. z o.o. he was the Deputy Chairman and Secretary of the Supervisory Board. He was reappointed to the Supervisory Board of Pekao Financial Services Sp. z o.o. in March 2021 and serves as the Chairman of the company's Supervisory Board.

He has a Ph.D degree in economics from the European University Viadrina Frankfurt (Oder), he graduated from the Faculty of Economics at the European University Viadrina Frankfurt (Oder). He participated in numerous courses and trainings in Poland and abroad, a.o. Unifuture in cooperation with the Institute for Management Development (IMD) in Lausanne (Switzerland).

Błażej Szczecki fulfills suitability requirements determined in art. 22aa of Banking Law Act.



WOJCIECH WEROCHOWSKI
Vice President of the
Management Board
supervising the Retail Banking
Division

Wojciech Werochowski, Vice President of the Management Board supervising the Retail Banking Division.

Manager with 20 years of experience in banking, for 3 years associated with Bank Pekao S.A., with the Retail Banking Division. From December 2017 served as a director of the Retail Customer Credit Products Department, where he managed retail customer credit products and was responsible for the sales activity, portfolio quality as well as financial performance of the product and product development.

Before joining Bank Pekao S.A. he worked at PKO Bank Polski, Bank Citi Handlowy, and Bank BPH, where he was responsible for the development and management of credit products, including mortgage loans, and the CRM function. Between 2000 and 2008 he was associated with General Electric Capital in Poland, with GE Money Bank. He has worked in a number of positions in the areas of product management, development of new business models, strategic pricing and finance management, Lean Six Sigma programs.

He has a university degree and an MBA degree from the University of Gdańsk, Copenhagen Business School and Universiteit Antwerpen. He completed trainings under the GE Management Development Institute, including Six Sigma Black Belt and Advanced Manager Course.

From March 2021, Vice-Chairman of the Supervisory Board of Pekao Direct Sp. z o.o.

Wojciech Werochowski fulfills suitability requirements determined in art. 22aa of Banking Law Act.

**MAGDALENA ZMITROWICZ**

Vice President of the
Management Board
supervising the Banking
Enterprise Division

Magdalena Zmitrowicz, Vice President of the Management Board supervising the Banking Enterprise Division

In 2018 she started working in Bank Pekao S.A. as Managing Director in Corporate Banking Department and from December 1st, 2018 she was appointed as the Vice President of the Management Board of the Bank. She started her professional career in 1999 in Bank Handlowy w Warszawie S.A. in Retail Banking Sector. She pursued her career in Corporate Banking Division, holding various leadership roles in regional structures of the Bank, including a position of Head of Sales for Northern Region and Head of Public Sector for Regions in the Public Sector Department. Having worked for almost twenty years in the banking industry, she has gained extensive experience both in general banking operations, including in particular the areas of sales, risk, operations and foreign-currency market, as well as in various customers segments, such as retail clients, small, medium and large companies, institutional clients, public sector and international corporations. In 2016-2017, she managed the Corporate Banking Department in the structures of the CEEMEA Commercial Banking Group - Citigroup. She managed the activities of the Strategy Champions Group at Bank Handlowy w Warszawie S.A.

From January 2019, a Member of the Supervisory Board of Pekao Leasing Sp. z o.o. From December 2018, Deputy Chairman of the Supervisory Board of Pekao Faktoring Sp. z o.o., and from March 2021, the Chairman of the Supervisory Board of the Company.

A graduate of the Faculty of Social Sciences at the University of Gdańsk, postgraduate studies at the Faculty of Management at the University of Gdańsk and postgraduate Executive MBA studies (EMBA) organized at the Faculty of Management at the University of Warsaw. She completed many local and foreign trainings, including those in credit risk management, financial analysis and sales. In 2013, she graduated from Commercial Credit College in the USA New York as part of Citigroup.

Magdalena Zmitrowicz meets suitability requirements determined in art. 22aa of the Banking Law Act.

5.4 The Bank's share capital and share ownership structure

As at 30 June, 2021, the share capital of Bank Pekao S.A. amounted to PLN 262,470,034 and remained unchanged until the date of submitting the report. The Bank's share capital was divided into 262,470,034 shares in the following series:

- 137,650,000 Series A bearer shares with a par value of PLN 1.00 per share,
- 7,690,000 Series B bearer shares with a par value of PLN 1.00 per share,
- 10,630,632 Series C bearer shares with a par value of PLN 1.00 per share,
- 9,777,571 Series D bearer shares with a par value of PLN 1.00 per share,
- 373,644 Series E bearer shares with a par value of PLN 1.00 per share,
- 621,411 Series F bearer shares with a par value of PLN 1.00 per share,
- 603,377 Series G bearer shares with a par value of PLN 1.00 per share,
- 359,840 Series H bearer shares with a par value of PLN 1.00 per share,
- 94,763,559 Series I bearer shares with a par value of PLN 1.00 per share.

All the existing shares are ordinary bearer shares. There are no special preferences or limitations connected with the shares, or differences in the rights attached to them. The rights and obligations related to the shares are defined by the provisions of the Polish Commercial Companies Code and other applicable law.

Shareholders of Bank Pekao S.A., holding directly or indirectly, through subsidiaries, at least 5% of the total number of votes at the General Meeting of the Bank, are as follows:

SHAREHOLDER'S NAME	NUMBER OF SHARES AND VOTES AT THE GENERAL MEETING	SHARE IN SHARE CAPITAL AND TOTAL NUMBER OF VOTES AT THE GENERAL MEETING	NUMBER OF SHARES AND VOTES AT THE GENERAL MEETING	SHARE IN SHARE CAPITAL AND TOTAL NUMBER OF VOTES AT THE GENERAL MEETING
	AS AT THE DATE OF SUBMITTING THE REPORT FOR THE FIRST HALF OF 2021		AS AT THE DATE OF SUBMITTING THE REPORT FOR THE FIRST QUARTER OF 2021	
Powszechny Zakład Ubezpieczeń S.A.	52,494,007	20.00%	52,494,007	20.00%
Polski Fundusz Rozwoju S.A.	33,596,166	12.80%	33,596,166	12.80%
Aviva Otwarty Fundusz Emerytalny Aviva Santander	13,281,544	5.06%	13,281,544	5.06%
Fundusze zarządzane przez Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A.	13,201,655	5.03%	13,201,655	5.03%
Other shareholders (below 5%)	149,896,662	57.11%	149,896,662	57.11%
Total	262,470,034	100.00%	262,470,034	100.00%

Until the date of submitting the report the Bank has not received any other notifications regarding changes in the ownership structure in accordance with par. 69 of the Act of July 29, 2005 on Public Offerings and Conditions Governing the Introduction of Financial Instruments to an Organized System of Trading, and on Public Companies.

5.5 Financial credibility ratings

Bank Pekao S.A. financial credibility ratings

Bank Pekao S.A. co-operates with three leading credit rating agencies: Fitch Ratings (the Fitch), S&P Global Ratings (S&P), and Moody's Investors Service. In the case of the first two agencies, the ratings are provided on a solicited basis under relevant agreements and with respect to Moody's Investors Service the ratings are unsolicited and they are based on publicly available information and review meetings.

As of 30 June 2021, Bank Pekao S.A. had assigned following financial credibility ratings:

FITCH RATINGS	BANK PEKAO S.A.	POLAND
Long-term rating (IDR)	BBB+	A-
Short-term rating	F2	F2
Viability rating	bbb+	-
Support rating	5	-
Support rating factor	No floor	-
Outlook	Negative	Stable
National Long-Term Rating	AA(pol) (negative outlook)	-
National Short-Term Rating	F1+(pol)	-
S&P GLOBAL RATINGS	BANK PEKAO S.A.	POLAND
Long-term rating in foreign currencies	BBB+	A-
Long-term rating in domestic currency	BBB+	A
Short-term rating in foreign currencies	A-2	A-2
Short-term rating in domestic currency	A-2	A-1
Stand-alone credit profile	bbb+	-
Outlook	Stable	Stable
S&P GLOBAL RATINGS (RESOLUTION COUNTERPARTY RATING)	BANK PEKAO S.A.	POLAND
Long - term RCR in foreign currencies	A-	-
Short - term RCR in foreign currencies	A-2	-
Long - term RCR in domestic currency	A-	-
Short - term RCR in domestic currency	A-2	-
MOODY'S INVESTORS SERVICE (UNSOLICITED RATING)	BANK PEKAO S.A.	POLAND
Long-term foreign-currency deposit rating	A2	A2
Short-term deposit rating	Prime-1	Prime-1
Baseline Credit Assessment	baa2	-
Long-term counterparty risk assessment	A2(cr)	-
Short-term counterparty risk assessment	Prime-1(cr)	-
Outlook	Stable	Stable
Long-term Counterparty Risk Rating (CRR)	A2	-
Short-term Counterparty Risk Rating (CRR)	Prime-1	-

On 7 January, 2021, rating agency Moody's Investors Service informed the Bank about maintaining the „A2” long term and „P-1” short term deposit ratings as well as stable outlook on the long term deposit ratings. Concurrently Moody's downgraded the Bank's Baseline Credit Assessment („BCA”) and Adjusted Baseline Credit Assessment („Adjusted BCA”) to „baa2” from „baa1” and its long term Counterparty Risk Ratings („CRR”) to „A2” from „A1”. Bank's long term Counterparty Risk Assessment („CRA”) was also downgraded to „A2(cr)” from „A1(cr)”. The short term CRR and CRA were affirmed at „P-1” and „P-1(cr)” respectively.

According to Moody's, the rating update is a consequence of the Bank's announcement of the acquisition of the certain assets and liabilities of Idea Bank S.A. as part of Idea's resolution under the legal framework of the Act of 10 June 2016 on the Bank Guarantee Fund, Deposit Guarantee Scheme and Resolution. Moody's stated that the transaction has a very limited impact on the Bank's credit profile and Moody's expectations on the Bank's financial fundamentals and performance are now more appropriately reflected in the BCA's of „baa2”, which is a one-notch lower than before the assessment. At the same time, long-term deposit ratings were affirmed owing to rating uplift from the application of Moody's Advanced Loss Given Failure analysis and a moderate likelihood of support from the government of Poland in case of need. The stable outlook for the ratings reflects the rating agency's expectation that the Bank will successfully execute the transaction within the set timelines, while maintaining its financial metrics broadly at current levels.

On 24 June 2021 rating agency S&P Global Ratings (the "S&P") informed the Bank about maintaining the ratings of the Bank at the current level with the stable outlook.

According to S&P, the ratings of the Bank reflects its strong franchise as one of the top 3 universal banks in Poland and its strong capital buffer. The Bank's exposure to legacy CHF loans is not material, according to S&P, and in case of any unlikely adverse scenarios, the Bank could benefit from the support of its state-controlled strategic investor, PZU Group.

The stable outlook reflects that on Pekao's largest investor, PZU.

Pekao Bank Hipoteczny S.A. financial credibility ratings

Fitch emphasizes that the rating of Pekao Bank Hipoteczny S.A. is related to the rating of Bank Pekao S.A., which holds 100% of the Bank's shares. In Fitch's opinion, the Bank's rating is influenced by the level of integration with the parent company, the scale of operations and the Bank's capital. Fitch believes that in light of the pandemic, the outlook for the assessment of the operating environment of banks in Poland remains negative, reflecting the risks in relation to the baseline economic scenario assumed by Fitch and the related pressure on the profitability of the sector.

At the end of June 2021, mortgage bonds issued by Pekao Bank Hipoteczny S.A. had the "A-" rating assigned by the Fitch rating agency. The high rating of the letters means that Pekao Bank Hipoteczny S.A. has the ability to issue securities with a high level of security and to obtain long-term funds for lending activities. Long-term assessment of Pekao Banku Hipoteczny S.A. was at the BBB + level, with a "Negative" perspective, including for the issued mortgage bonds.

6. Activity of Bank Pekao S.A. Group

6.1 Achievements of Bank Pekao S.A.

Bank Pekao S.A. is a universal commercial bank offering all financial services available in Poland for individual and institutional clients. A wide range of products, innovative solutions and individual approach ensure comprehensive financial support for clients and an integrated customer service model is a guarantee of the highest quality of services and optimal adjustment to changing customer needs. Since 2017, Bank Pekao S.A. is part of the PZU S.A. capital group, the largest financial institution in Central and Eastern Europe.

A wide product offer, innovative solutions and individual approach provide comprehensive financial service to clients and the integrated customer service model provides the highest quality of services and their optimal adaptation to changing needs. The Bank has measurable advantages that allow it to compete effectively on the market and strengthen its market position in the strategic areas of the Bank's operations. The Bank offers competitive products and services on the Polish market, and high level of customer service and a well-developed distribution network.

BUSINESS MODEL

The Bank's business model is based on customer segmentation with the following groups of customers:

- **RETAIL BANKING AND PRIVATE BANKING** – serving individual clients, including affluent private banking clients and micro enterprises. Private banking clients are offered investment advisory through private banking centers and remote channels, while all individual clients and micro-enterprises are served through a wide network of branches and partner outlets supported by market-leading remote service channels, including digital channels,
- **ENTERPRISE BANKING** – providing financial services to clients from small and medium-sized enterprises sector that are served by relationship managers with the support of product specialists. The service is carried out in specialized Business Customer Centers, Corporate Centers and universal retail branches. Customers are offered with products and services tailored to their individual needs based on solutions proven in corporate banking and adapted to the needs of the enterprise segment,
- **CORPORATE AND INVESTMENT BANKING** – providing financial services to large enterprises (segmentation by revenues of companies), public sector entities, financial institutions and entities from the commercial real estate financing sector. Corporate and investment banking clients are served by relationship managers with the support of product specialists.

The data presented according to the business model, based on the managerial model in which the main criterion for dividing the Group's reporting is the classification of the client depending on his profile and service model.

On January 3, 2021, the Bank took over the enterprise and liabilities of Idea Bank S.A. with exceptions, as a result of the BGF's application of the resolution instrument. As at the date of publication of the report, the acquired assets, liabilities and customers were not assigned to any of the above-mentioned areas of activity, which will take place after the completion of the integration process of the acquired enterprise.

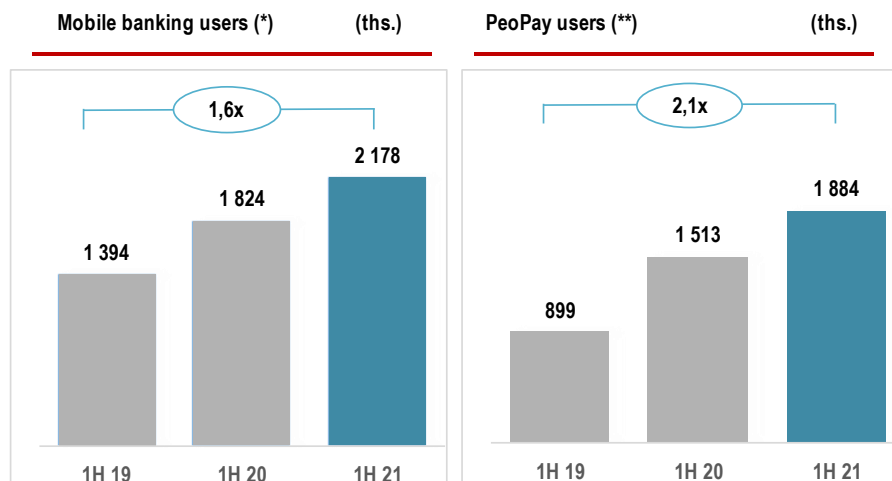
RETAIL BANKING AND PRIVATE BANKING
Strategy - The „Customer” pillar

We are intensively developing digital channels as well as quick and convenient service processes. We seek to enable retail clients to handle almost any matter online. **The digitization rate of nearly 100% is one of the key strategic aspirations.**

The PeoPay mobile application becomes the main channel of contact with the client. We plan to make even greater use of advanced data analytics and modern sales support tools in order to personalize the offer, improve service quality and increase the tendency to recommend our services. The key measure of success that we strive for is a leap advance in customer satisfaction rankings.

Development of electronic and mobile banking

In the first half of 2021, the number of active mobile banking customers increased by 135 thousand and is 1.6 times larger than two years ago. The number of active mobile customers using PeoPay increased by 201 thousand in the first half of 2021 customers and is 2.1 times greater than two years ago.



(*) Unique user actively using electronic banking is a user who logged in to the system and the mobile service m.pekao24.pl, at least once during the last quarter. (in case of using different mobile channels, the client is counted only once).

(**) Unique user using mobile banking application (PeoPay application), who logged in to the system PeoPay at least once during the last quarter.

At the end of the first half of 2021, 81.5 thousand of customers actively used mobile banking for companies, and 176 thousand from electronic banking (an increase by 7.3 thousand compared to the first half of 2020).

In the PeoPay application - the main mobile banking tool, we offer a number of innovative solutions, including:

- concluding a loan agreement as part of the “click” process, without leaving your home – within 30 seconds of accepting the contract,
- concluding a loan agreement at the Banks’s outlet „by click”,
- wide selection of payment methods: Apple Pay, BLIK, PeoPay payments, Garmin Pay, Fitbit Pay.
- finger or face biometrics approval transfers and payments,
- paying for online purchases on your phone without logging into online banking,
- scanning account numbers from invoices without rewriting the account numbers to the application,
- executing transactions both in PLN and selected foreign currencies without currency conversion, due to the link to the relevant currency accounts,
- the ability to manage cards - from the application level the client can activate or block the card, as well as change card,
- the ability to deposit and withdraw cash to their accounts by holders of individual and company accounts,
- making the Messages module for correspondence with the Bank available,

- possibility of contacting a consultant via text messages (chat) and the possibility of using the Google Assistant in the PeoPay application,
- sending documents regarding insurance and life policies and concluding a contract for the transfer of rights under the real estate insurance contract,
- automation of recurring payments using Qlips service (interbank service supported by the National Clearing House and the Polish Bank Association),
- making automatic payments for motorway tolls using the Autopay service.

In June 2020, the Bank launched the **PeoPay KIDS** application dedicated to children aged 6-13. Thanks to the application, children can learn to save and manage their own funds in an easy and accessible way. The child can also receive their own PeoPay KIDS payment card, thanks to which they will be able to pay in stores and withdraw cash - the limit of card transactions is set by the parent. In the application, it is also possible to order simple operations, such as a transfer from Konto Przekorzystne or top-up the phone. In 2021, we introduced new functionalities to the application:

- the option to purchase game codes in the PeoPay KIDS application. Thanks to this, the youngest can take advantage of additional attractions available on their favorite platforms and in games such as Xbox, Nintendo, Blizzard or Minecraft. Each purchase in the application takes place under the control of the parent who authorizes the transaction in his panel,
- logging in with a fingerprint or a photo face – thanks to this, children can log into application in a modern and even safer way,
- sending a request to the parent to top up the selected moneybox in the application or Wallet - thanks to which the parent can support the child in achieving saving goals.

The PeoPay KIDS application is very popular among children, at the end of June 2021 young customers had nearly 70 thousand virtual moneyboxes for individual purposes.

We are systematically developing the new version of the **Pekao24** website and the process of full migration of customers from the previous version. At the end of June 2021, 90% of customers used only the new version of the **Pekao24** website.

As part of the development of self-service processes and their improvement, we have made the following functionalities available:

- the convenient summary of assets and liabilities for individual clients,
- the possibility of contacting the Bank using modern contact channels already on the login page to the Pekao24 website,
- extended the number of clients that can use the remote password recovery process to include clients with a target PIN without a password,
- quick payments with KIR Paybynet for payment of tax receivables on the podatki.gov.pl portal,
- extending the number of clients that can use the remote password recovery process to include clients with a target PIN without a password,
- functionality of trusted devices (DFP) - an alternative to authorization codes - over 1 million new trusted devices added a month from implementation,
- extending access to the insurance offer as part of cooperation with PZU, including: travel insurance,
- submitting applications for 300+ / 500+ benefits in the new version, also available in the PeoPay application,
- adding new sales offers - including: Consolidation Loan "on click".

We have also developed the PekaoID digital identity and trusted profile services, enabling remote confirmation of the identity of retail clients. Thanks to the integration with the eIDAS National Node, PekaoID activation increased significantly. By the end of the first half of 2021, the number of customers using PekaoID exceeded 1 million.

On the Bank's website, we have launched a new platform "All in one place", which provides a number of financial solutions that facilitate running a business and a collection of useful tips for business owners. Entrepreneurs receive suggestions of beneficial products and interesting services, tailored to the needs of micro-enterprises. The platform also includes modern tools and attractive partner offers, such as legal services or IT assistance.

Open banking

Open banking is a new standard on the payment services market implemented in accordance with the EU directive PSD2. In the first half of 2021, we consistently developed open banking services, which enable quick access to information about accounts in other banks and making transfers from these accounts in the Pekao24 service and the PeoPay application. As the only one in Poland, as part of open banking, we also provide foreign transfers (SEPA, SWIFT) from accounts in PKO BP, Inteligo, Santander, ING, BNP Paribas, Alior Bank, Millennium, mBank and Getin Bank. Currently, customers can add information about accounts from 10 banks. Thanks to the open banking service, in selected loan processes it is possible to use data collected from another bank, which significantly improves and shortens the path of the loan process.

Customer service

In the Institution of the Year 2021 ranking, 15 branches of the Bank were awarded the title of "Best Banking Branch in Poland", the award was granted for the quality of service during a visit to the branch.

At the beginning of 2021, we were one of the first to implement the process of quick company registration in the Central Register and Information on Economic Activity (CEIDG) along with the opening of a company account. Thanks to this, a customer with access to Pekao24 can register a company, obtain NIP, REGON and banking products such as Konto Przekorzystne Biznes, debit card or auxiliary accounts through one application. From the first half of 2021, we also launched the above process in the PeoPay application.

Strategy - The „Growth” pillar

We strive for business growth in the most profitable market segments, product groups and areas of untapped potential, which will result in improved profitability, i.e. consumer finance and in the micro-enterprises segment. Over the next four years, Pekao wants to acquire over 400 thousand individual customers every year and increase its market share in cash loans from 7% up to 10%. Moreover, we will seek to rejuvenate the demographic structure of the retail customer base. The goal is to acquire over 600 thousand customers under 26 years of age by 2024.

We also focus on digital growth in investment products. By 2024, over 80% of the sales volume of investment funds will be realized in remote channels. We are also strengthening business synergies with the PZU Group, which will result in an increase in sales of insurance products and a twofold increase in the gross written premium by 2024.

Number of clients and accounts

At the end of the first half of 2021, the Bank served over 5.4 million individual and business customers. Clients benefit from a wide range of personal accounts, product and service packages as well as cash loans and mortgage loans.

In the first half of 2021, we opened 190 thousand Konto Przekorzystne, Konto Świat Premium and Private Banking Accounts, including 27% using remote channels (including the selfie process based on biometry).

Konto Przekorzystne took first place in this year's edition of the prestigious Złoty Bankier ranking in the best personal account category. According to experts, Konto Przekorzystne best meets the needs of various customer groups, both those using only traditional banking services and those using innovative mobile solutions.

We consistently expanded the additional benefits of having Konto Przekorzystne and Świat Premium Accounts. In June 2021, in cooperation with PZU, we introduced the "Comfort Package" to the offer, which is one of the few combinations of banking and insurance products with a wide range of protection available on the market. The "Comfort Package" gives customers, among others the possibility of immediate payments and insurance of internet purchases, assistance in the event of a breakdown at home, personal belongings insurance. It is available in three variants: Platinum, Golden and Standard, different in terms of the number of Express Elixir transfers to be used in a month and the scope of insurance.

At the end of June 2021, the Bank maintained 6,675.1 thousand PLN-denominated current accounts, 403.7 thousand mortgage loan accounts and 623.0 thousand "Pożyczka Ekspresowa" (Express Loan) loan accounts.

(in thousand)

	30.06.2021	30.06.2020
Total number of PLN current accounts (*)	6,675.1	6,369.6
of which packages	4,776.3	4,590.4
Number of mortgage loans accounts (**)	403.7	398.6
of which PLN mortgage loans accounts	375.9	367.7
Number of Pożyczka Ekspresowa loan accounts (***)	623.0	702.1

(*) Number of accounts including accounts of prepaid cards.

(**) Retail customers accounts.

(***) Pożyczka Ekspresowa, Pożyczka Ekspresowa Biznes.

Key Retail Loans

From June 2021, we use the open banking functionality in the processes of granting a cash loan, overdraft limits and credit cards, using the account history from another bank to assess the customer's creditworthiness. As a result, we accelerated the credit process and our clients gained the opportunity to receive a faster credit decision. Currently, the history of an account maintained at the following banks can be downloaded and used for the credit process: Santander, Millenium, Alior, BNP Paribas, ING, Credit Agricole.

The value of granted cash loans in the first half of 2021, measured by the net volume, amounted to PLN 2.1 billion, increased by +25% compared to the first half of 2020. Sales in remote channels in the first half of 2021 amounted to over PLN 0.7 billion (+38% compared to the first half of 2020). 55% of cash loans were sold in remote processes in Pekao24 and PeoPay mobile banking.

There was also an increase in the sale of overdraft limits, both in branches and remotely, including "by click". In the second quarter of 2021, 18% more agreements were concluded for new limits compared to the first quarter of 2021.

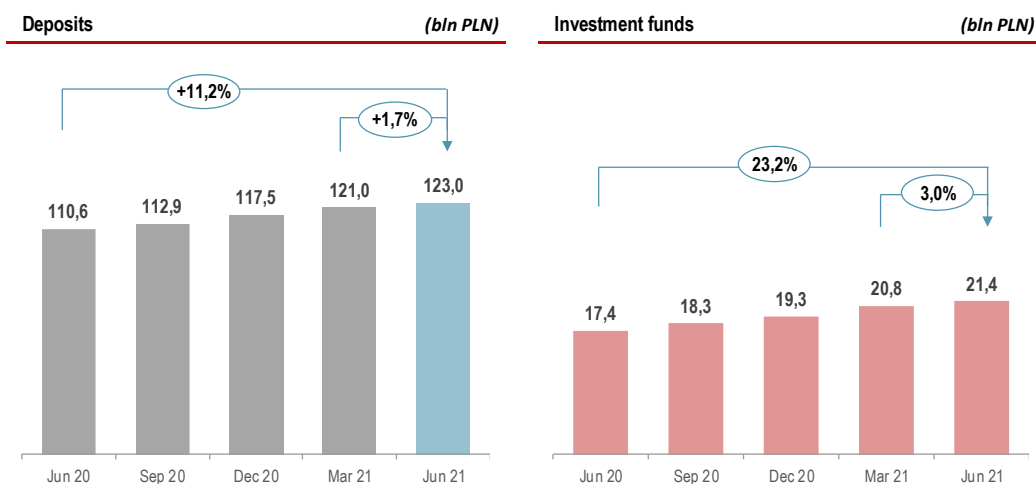
In the first half of 2021, sales of mortgage loans amounted to almost PLN 5.3 billion, recording an increase in volume by 26% y/y. In the second quarter of 2021 we recorded the highest ever sales of mortgage loans at the level of over PLN 3.1 billion.

Development in the area of insurance products

In the first half of 2021, we extended the insurance offer with a product in the standalone formula - travel insurance, available in electronic and mobile banking. The insurance is available in several variants, the client can adjust the scope and amount of insurance to his needs. It is offered at a special discount in the first months. The implementation of travel insurance is one of the important elements of the new Strategy and the effect of expanding cooperation within the PZU Group.

In electronic channels, we have also prepared the possibility of purchasing motor insurance on favorable terms. As part of the development of the product offer, we have provided customers with new packages of services for personal accounts (Comfort Package), an important element of which is the insurance package with assistance services. The insurance offers a wide range of protection, providing real help, and for the first 6 months it is free of charge for clients.

In the first half of 2021, compared to the same period of the previous year, the acquisition of new clients through PZU increased by 19%. Effective sales activities in the area of bancassurance contributed to the increase in the share of cash loans sold with insurance to the level of 37%, the share of mortgage loans granted with insurance was by 12 p.p. higher than in the corresponding period of the previous year and exceeded the level of 96%. In the first half of 2021, 52% more premium was collected for insurance products related to banking products than in the first half of 2020.

Deposit, brokering activity and sale of investment products


At the end of June 2021, deposits of individual and business customers amounted to PLN 123.0 million and were higher than in the corresponding period by 11.2%.

We actively encouraged clients purchasing investment products to use remote channels by applying special pricing conditions. In the first half of 2021, we made it possible to fully remotely sign an agreement for accepting and transferring orders regarding investment fund participation units, updating the questionnaire and indicating consent for a durable medium, as well as the ability to remotely open an investment account at the Pekao Brokerage House.

As a consequence of record-low interest rates, sustained from the first half of 2020, the Bank's offer only includes deposits concluded for a period of 3 and 6 months, which can only be opened in electronic banking or in the PeoPay mobile application.

In the first half of 2021, in cooperation with the Pekao Brokerage House, we introduced the following products to the offer for individual clients and private banking:

- serviced the subscriptions of 11 public offers of certificates / structured products issued by external suppliers (Societe Generale, Goldman Sachs, Raiffeisen Centrobank AG, UniCredit Bank AG), in which subscriptions were accepted for a total amount of PLN 295.5 million and USD 3.1 million,
- four subscriptions of PZU FIZ Akord Investment Certificates for the AŁ, AM, AN, AO series, for which the total subscription amount was PLN 87.5 million.

At the end of the first half of 2021, the Pekao Brokerage House operated a total of 186.7 thousand investment accounts, servicing 133.5 thousand accounts with active access to services via remote channels. Direct service was carried out within a nationwide network of 357 outlets providing brokerage services in total. The value of the assets of Pekao Brokerage House and Dom Inwestycyjny Xelion S.A. as at 30 June, 2021, it amounted to PLN 29.3 billion.

In total, in the first half of 2021, the Pekao Brokerage House:

- acted as an offering agent for the issue of 3 series of covered bonds of Pekao Bank Hipoteczny SA addressed to professional clients and eligible counterparties,
- acted as the guarantor and the offering agent for InPost S.A. shares addressed to professional clients and eligible contractors,
- participated in accepting subscriptions for: public offering of Vercom SA shares and KRUK SA AK3 series bonds, 17 calls for the sale of shares and 3 invitations to sell shares, 5 issues of shares with pre-emptive rights.

Strategy - The „Efficiency” pillar

Strengthening effective cost management and process excellence is one of the pillars of the Bank's Strategy in the area of Retail and Private Banking, which is why we are focused on technological transformation, improving the efficiency of operations and distribution networks, as well as optimizing credit processes, including processes for mortgage loans and financing micro-companies.

In line with the Strategy, we take actions aimed at improving efficiency and migrating processes to remote channels. In the second quarter of 2021, the Bank reduced its branch network by 48 units. As part of the development of the franchise network, the number of agency outlets over the last year increased by +8 units.

Distribution channels

The Bank offers to its clients a broad distribution network with ATMs and outlets conveniently located throughout Poland as well as a professional call center and a competitive online and mobile banking platform for individual, corporate and micro companies.

	30.06.2021	30.06.2020
Total number of outlets	669	785
own outlets	597	721
partner branches	72	64
Total number of own ATMs	1,549	1,644

ENTERPRISE BANKING

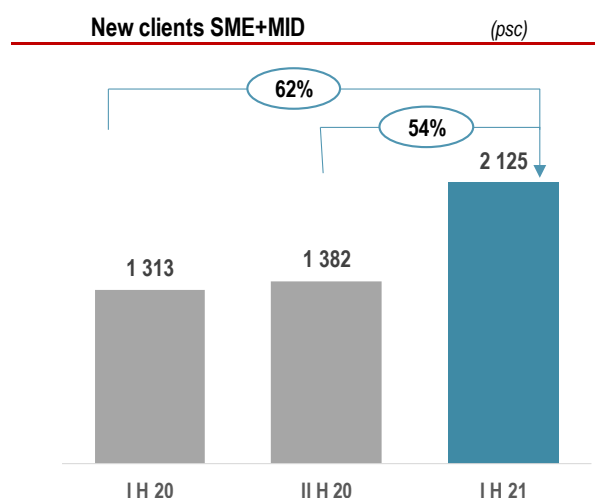
Commercial Banking consists of two segments: Small and Medium Enterprises (SME) and Medium Enterprises (MID) segments.

Strategy - The „Customer” pillar

We put the customer and his needs at the center of our activities, intensively develop digital channels and fast and convenient service processes. To an even greater extent, we will use advanced data analytics and modern CRM tools to support sales, which will allow us to better adjust the offer, improve the quality of service and increase the tendency to recommend our services.

According to the Strategy, we plan to acquire 2.2 thousand new clients from the SME sector and 1 thousand clients from the MID sector annually.

In the first half of 2021, we maintained a high level of acquisitions and acquired a record number of over 2 thousand new clients. The dynamics of acquisitions in the SME segment was +60% y/y, and in the MID segment +68% y/y. In the Enterprise Banking Division, at the end of the second quarter of 2021, we provided service for over 48.7 thousand customers.



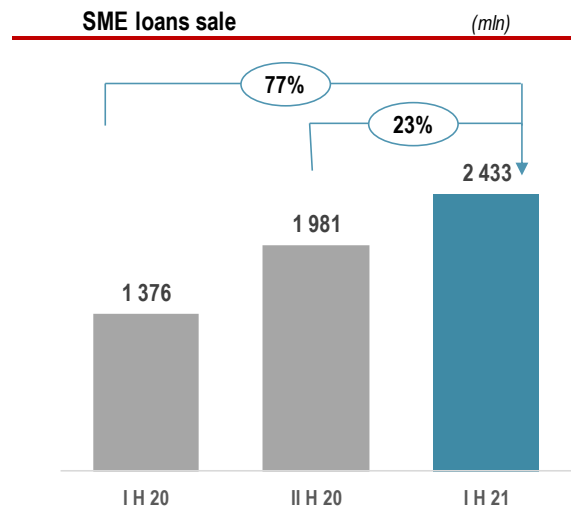
Strategy - The „Growth” pillar

By focusing on the most profitable segments and groups of product, we plan to increase the share in the revenues of SME segments by 2 p.p. and 4 p.p. for the MID segment compared to the 2020.

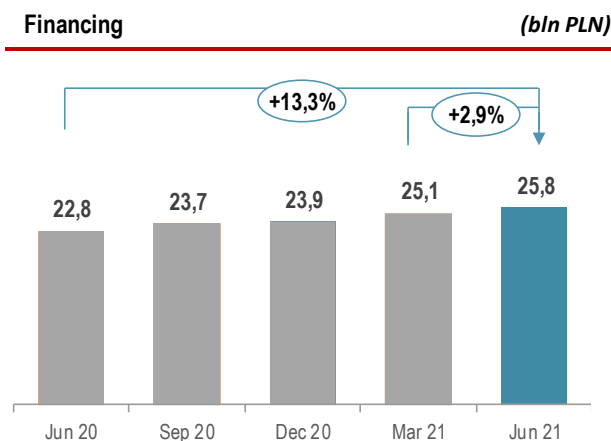
Lending activities and customer financing

We offer our clients a wide, comprehensive range of products and services, such as bank loans, leasing, factoring, arranging issues of debt securities and other specialized forms of financing.

In the second quarter of 2021, new sales of loans in the SME client segment reached a record level, which resulted in an increase in dynamics by +77% y/y.



The customer financing portfolio in the second quarter of 2021 increased by 21.7% compared to the first half of 2020 in the SME segment and 11.0% in the MID segment.



The most important projects implemented in the first half of 2021 include:

- granting a syndicated loan to one of the leaders in the rail transport industry for the amount of PLN 615 million,
- financing the acquisition of the Polish leader in financial services for business in the amount of PLN 130 million,
- granting a syndicated loan to one of the leaders in the porcelain stoneware and clinker tiles industry for the amount of PLN 115 million,
- acquisition loan for one of the leaders in the chemical industry for the amount of PLN 98 million.

Strategy - The „Efficiency” pillar

We seek to significantly increase the range of services available to SME and MID customers in the self-service zone in digital channels. At the same time, we optimize and automate credit processes.

Transactional banking

We consistently developed the self-service zone for enterprise clients in PekaoBiznes24 electronic banking. We have made available further processes enabling self-service, among others submitting applications in the field of credit card service, PFR financial shield, closing sub-accounts.

As the first in Poland in the segment of SME clients, in the electronic banking PekaoBiznes24 we have launched a new product - a transfer to a telephone, thanks to which enterprise clients can initiate a domestic transfer to a telephone number defined in BLIK.

We offered our clients an alternative form of investing financial surpluses in the form of debt funds as a participation in Pekao TFI funds with the lowest investment risk.

In cooperation with Tpay, we offered our clients a new service supporting the dynamically developing e-commerce - a payment gateway for online payments.

In the first half of 2021, we implemented a new biometric remote method ('on a selfie') of verifying the identity of representatives of a potential client. The method enables clients from the SME and corporate segment to establish relationships completely remotely, regardless of their legal form. The solution is intended for companies registered in Poland, represented by people with Polish identity cards.

Strategy - The „Responsibility” pillar

We support economic development by focusing on the distribution of government and EU programs for economic recovery and climate transformation. The commercial and operating activities of the Bank will be increasingly based on factors of sustainable development.

For the second time, we have enabled clients to submit applications for a financial subsidy under the government program, the so-called "PFR 2.0 Financial Shield", which is to help micro, small and medium-sized enterprises operating in industries most at risk from the pandemic to maintain financial liquidity. In the first quarter of 2021, entrepreneurs eligible for subsidies could submit applications via online banking.

In connection with the launch in the first half of 2021, by PFR, the process of redemption of subsidies under the "PFR 1.0 Financial Shield", we provided customers with the service of the redemption process through electronic banking: Pekao24 for Companies, PekaoBiznes24 and Idea Cloud. In case of questions or doubts, customers can use the support of a dedicated infoline.

CORPORATE AND INVESTMENT BANKING

Corporate Banking covers the corporate and major capital groups, public sector clients, financial institutions as well as commercial real estate and specialized financing. Thanks to qualified staff, specialist knowledge, safe and effective processes and the ability to co-finance the largest projects based on a very strong liquidity and capital position, we are a market leader in the area of corporate services.

We provide both the comprehensive services of a universal bank and the services from such areas as leasing, factoring, investment advisory services, advisory in M&A as well as highly advanced treasury and capital market products. We also prepare comprehensive offers of short- and long-term financing of international activities, supporting the expansion of Polish enterprises both on the European and developing markets. As part of the developed transactions, we cooperated, with KUKI, using the concluded framework agreement.

We continue our cooperation with the UniCredit Group, which provides services to UniCredit clients on the Polish market and Polish clients on foreign markets. The agreement allows to support Polish customers in conducting business in countries where the UniCredit Group is present. The agreement also strengthens the role of the Bank as an expert in cross-border solutions for international clients and positions Bank Pekao S.A. as a Polish bank with a European reach.

The cooperation with partners allowed for the expansion of the geographic area of the markets served and the further development of business with international companies.

A wide range of products and services, innovative solutions, customised approach and comprehensive financial services rendered to enterprises, institutions and public sector units are appreciated by clients and determine the strength of Corporate Banking of Bank Pekao S.A.

Strategy

We plan to maintain the leading position in the corporate banking and maintain a high market share in revenues at least at the level of 2020, potentially increasing it, through effective volume growth using competitive advantages such as: in-depth sector expertise, specialist financing knowledge as well as the growing digitalization of processes.

We consistently develop digitization, process automation and relieve its relationship managers in operational work, thanks to which clients receive a wide range of digital solutions enabling self-service, and relationship managers have more time and better tools to reach the most demanding enterprises with specialist knowledge.

The Bank, as a leading institution cooperating with the largest corporate clients, in addition to substantive, operational and financial support in the development of clients, is also a partner for public development programs, socially responsible ESG projects, actively involved in the development and modernization of the Polish economy supported by numerous programs and EU funds.

At the end of the first half of 2021, we served over 6.1 thousand entities in the Corporate Banking division and established cooperation with 174 new clients.

We actively participated in building the renewable energy sources (RES) sector in Poland, offering and organizing the issue of sustainable development bonds (ESG). We were the first to take part in the largest and most complex transactions in Poland and we participated in all the most important benchmark issues for State Treasury Companies and new ESG investments carried out by entities from the Public Sector.

We cooperates with 11 out of 12 Polish metropolises (92% market share) and provides ongoing budget support for every third metropolis (33%). The Bank cooperates with every fourth municipality in Poland (21% market share). It also maintains business relations with 92% of towns with county rights and provides ongoing services to every fifth of them (25%). The Bank also cooperates with every third county (37%) and with almost all provinces (94%). It is also a leading Bank for state universities.

As at 30 June 2021, the Bank maintained 73 nostro accounts with 45 banks in 26 countries; it ran 219 loro accounts for 200 foreign clients (banks and other financial institutions) from 47 countries and 49 current accounts for 42 foreign financial institutions. The Bank also intermediated in the execution of transactions for clients of other domestic banks, running 34 loro accounts for 14 Polish banks and maintaining 6 nostro accounts with 1 Polish bank.

Financing of activities

The Group finances its clients' operations through a wide range of products such as bank loan financing, leasing, factoring, arrangement and subscription of bond issues, trade finance and others.

The key projects financed by the Bank in the first half of 2021 include:

- global coordinator and bookrunner of the loan related to post-IPO financing for the leader in logistics industry in the amount of PLN 2.75 billion,
- arranger of a syndicated loan for a champion of the Polish economy, a leading company operating in the chemical industry, for the amount of PLN 2 billion,
- financing including an investment loan and a working capital loan for a manufacturer of interior finishing materials (Pekao was the Loan Agent and Collateral Agent) for the amount of PLN 1.1 billion (the Bank's participation was PLN 225 million),
- the Bank's participation as a "original lender" in the syndicated loan in total amount of PLN 2,1 billion for the largest chemical concern in Poland,
- PLN 500 million of factoring limits for leading companies operating in the energy industry,
- financing for a top company from the retail industry – the Bank's participation: EUR 90 million,
- financing of another stage of development of a wind farm in the amount of PLN 370 million.

Trade finance

In the first half of 2021, we finalized an agreement with one of the key clients in the clothing industry regarding a supplier financing program based on the unique solutions of the Open Funding Platform (OPF). Thanks to its functionality, the platform allows us to effectively compete with global banks offering similar product solutions.

In the first half of 2021, as part of OFE, we financed over 21.5 thousand invoices with a value of almost PLN 400 million more than in the corresponding period of 2020, an increase by over 45% compared to the first half of 2020. The amount of new letters of credit, opened in that period, increased by over 45% as compared to the first half of 2020. The amount of serviced collection transactions rose by 11%. The Bank also recorded a two-digit growth dynamics in the area of guarantees and sureties, the amount of new transactions was higher by over 97% in comparison with the same period of 2020, and the Bank's exposure under guarantees granted in comparable periods increased by nearly 37%.

Issuance of debt securities

Taking into account the outstanding debt as at 30 April 2021, Bank Pekao S.A. had nearly 29% market share (1st place) in the area of arranging and servicing non-treasury debt securities (above 365 days), including:

- nearly 38% market share in arrangement of corporate bonds issues (1st place),
- nearly 17% market share in arrangement of banks' debt securities (3rd place),
- nearly 23% market share in arrangement of municipal bonds issues (2nd place).

In the first half of 2021, we issued non-treasury debt securities in the total amount of nearly PLN 16 billion (excluding BGK and PFR SA bonds), among which the following transactions deserve special attention:

- issue of twelve series of bonds for a company from the factoring industry for the amount being the equivalent of nearly PLN 5 billion, denominated in PLN and EUR and the maturity of up to 1 year,
- issue of ten series of bonds denominated in EUR and PLN for a company operating in the leasing industry for the total amount being the equivalent of ca. PLN 3,3 billion,
- the issue of 7-year Eurobonds for a company from the chemical industry for the amount of EURO 600 million, in which the Bank was the global coordinator and bookrunner,
- the issue of 6-year Eurobonds for a company from the logistics industry for the amount of EURO 490 million, in which the Bank was the global coordinator and bookrunner,
- the issue of 10-year sustainable development bonds bearing a fixed interest rate based on the ESG rating (a measure of sustainable development covering environmental responsibility, social responsibility and implemented corporate governance) for the amount of PLN 1 billion for a leading fuel and energy company in Poland, in which the Bank acted as the sole arranger and dealer,
- the issue of 7-year green Eurobonds for a leading company operating in the fuel-energy industry in Poland for the amount of PLN 500 million, in which the Bank was the global coordinator and bookrunner,
- the first bond issue on the Polish market for a company belonging to an international automotive group for the amount of PLN 500 million and the maturity of 1 year, in which the Bank acted as the sole arranger and dealer,

Transactional banking

Due to the growing importance of non-cash transactions, we systematically develop and expand our payment and transaction system. In the first half of 2021, the most important achievements in the area of transactional banking include:

- processing of over 83 million transactions as part of the Pekao Collect service (identifying mass payments of customers) with a total volume of over PLN 104 billion, which is an increase of 3.9% and 10% respectively as compared to the first half of 2020,
- increase in the number of Direct Debit transactions nearly by 10% up to the total amount of PLN 905 million in comparison with the first half of 2020,
- increase in the number of domestic outgoing transfers by 9% and foreign transfers by 14% as compared to the first half of 2020,
- implementation of the new functionality of SWIFT_GPI Statuses in PekaoBiznes24 - a service that allows our clients to track the current status of SWIFT foreign transfers from the level of electronic banking,
- implementation, as the first bank in Poland, of the BLIK phone transfer for corporate / SME clients in PekaoBiznes24,
- implementation, as part of development of a self-service zone for clients in the PekaoBiznes24 system, of the possibility for clients to submit applications for the closure of individual bank accounts.

The Bank has implemented the possibility for clients to indicate settlement accounts as their investment accounts. As a result, it is possible to accumulate funds at Bank Pekao S.A. set aside for investment purposes referred to in Art. 15 sec. 1hb point 2 of the Corporate Income Tax Act. The new functionality is related to the provisions of the Act of November 28, 2020 amending the Corporate Income Tax Act and certain other acts, effective from 1 January, 2021, which enabled limited companies to separate funds for investment purposes in the reserve capital.

6.2 Achievements of subsidiaries

Pekao Bank Hipoteczny S.A. – Pekao Bank Hipoteczny

Pekao Bank Hipoteczny, as a specialized mortgage bank, continued activities on the market of commercial properties, local government units, as well as loans for purchase, construction, refurbishment or modernization of housing loans to individuals.

In the first half of 2021, Pekao Bank Hipoteczny completed transactions of purchase and transfer of mortgage receivables from Bank Pekao for the total amount of PLN 920 million, which contributed to the growth of the loan portfolio. The net value of the loan portfolio at the end of June 2021 amounted to PLN 3,511.9 million and was higher by PLN 1,096.4 million, i.e. 44.8% compared to the end of the first half of 2020. Loans granted to enterprises and local government units accounted for 19.6% and 9.1%, respectively, while 71.3% of the portfolio were loans to individual customers. The new receivables taken over from Bank Pekao in the first half of 2021 were intended for financing the to housing loans to individuals.

In the first half of 2021, Pekao Bank Hipoteczny completed three issues, denominated in PLN, and two issues of covered bonds were issued. The total value of liabilities under mortgage bonds as at June 30, 2021 was PLN 1,701.0 million. Pekao Bank Hipoteczny S.A. has the quality certificate The Covered Bond Label, which proves the safety and quality of the issued covered bonds and the highest standards of transparency for investors.

In order to diversify the sources of financing, Pekao Bank Hipoteczny issues bonds as part of the issuer's bond issue program up to the amount of PLN 1 billion. As at June 30, 2021, the total value of liabilities under these bonds was PLN 299.8 million.

Pekao Investment Management S.A.– Pekao IM

Pekao IM, in which Bank Pekao S.A. owns 100% of shares, is the owner of Pekao Towarzystwo Funduszy Inwestycyjnych S.A. (Pekao TFI).

Pekao TFI is the longest operating investment fund company in Poland, providing clients with modern financial products, providing the opportunity to invest on the Polish market and on the world's largest capital markets. For many years, it has been creating savings programs, including programs offering the possibility of additional savings for retirement under the third voluntary pension pillar. The offer of Pekao TFI also includes portfolio management services and Employee Capital Plans (PPK). The company is in the PPK records, and its offer is also available through the mojeppk.pl portal.

As at June 30, 2021, the value of the net assets of Pekao TFI mutual funds (including PPK) amounted to PLN 21.4 billion and was higher by PLN 4.0 billion, i.e. 23.2% compared to the end of June 2020. The increase in assets is the result of customers returning to investing funds in investment funds. In 2020 assets were negatively affected by the pandemic situation, and funds from redemptions were largely deposited in bank accounts.

Pekao Leasing Sp. z o.o. – Pekao Leasing

Pekao Leasing provides financial services supporting the sale and purchase of fixed assets, i.e. means of transport, machinery and equipment, as well as office real estate - both through operational and financial leasing.

In the first half of 2021, the Company concluded 7.9 thousand contracts. new contracts. The value of leased assets was 22.7% higher than in the first half of 2020 and amounted to PLN 2.2 billion, including: 53.4% - means of transport, 41.1% - machinery and equipment, 4.1% - real estate, 1.4% - other. The company cooperates with the Bank in the sale of leasing to clients who are also the Bank's clients.

Pekao Faktoring Sp. z o.o. – Pekao Faktoring

The company offers a full range of factoring services (including full and incomplete factoring), as well as services accompanying factoring, which include, inter alia, collecting information about the financial situation of debtors, collection, debt collection, accounting of settlements and ongoing monitoring of payments. The company's offer is complemented by settlement of mass transactions, financial advice and consulting in the selection of the method of financing the activity, as well as granting credits and loans related to the factoring agreement. The company cooperates with the Bank in the activation and development of new sales channels.

Pekao Faktoring ranks first on the Polish factoring market with an approximately 20.4% market share.

Pekao Investment Banking S.A. – Pekao IB

Pekao IB focuses on serving institutional and corporate clients. The scope of services provided by Pekao IB includes, in particular, the acceptance and transmission of orders to purchase or sell financial instruments, offering financial instruments, as well as consulting for enterprises in the field of capital structure, corporate strategy as well as mergers, divisions and acquisitions.

In the first half of 2021, Pekao IB participated in three processes of initial public offering of shares and one capital increase as part of the public offering of shares of a company listed on the WSE. Pekao IB also provided services related to servicing the bond issue of 9 entities. Pekao IB advised on two successfully closed acquisitions of companies in Poland and Hungary.

Pekao IB continued to provide advisory services related to obtaining aid funds under the PFR Financial Shield for large companies.

Pekao Direct Sp. z o.o. – Pekao Direct

Pekao Direct provides financial intermediation services as well as comprehensive services through alternative communication channels for clients of the non-banking sector.

The company supports Bank Pekao S.A. as the main customer in the field of service, internet banking, cards and product hotlines. As part of its operations, Pekao Direct serves clients through alternative communication channels, mainly in the form of telephone, e-mail and chats. The main communication channel is telephone connections - in the first half of 2021, Pekao Direct handled 6.5 million calls. Pekao Direct participates in the process of setting up selfie accounts, introduced by the Bank. In the first half of 2021, the Company doubled the number of minutes of the chat service within the PeoPay application, which is related to the use of alternative forms of communication by customers in the light of the pandemic situation. The company, in cooperation with the Bank, continues to carry out a number of projects aimed at developing communication with customers of Bank Pekao S.A. including with the use of mobile banking.

Pekao Financial Services Sp. z o.o. – PFS

PFS provides outsourcing services for financial institutions in the field of operational and technological solutions, in servicing fund participants, as well as in the independent distribution of fund units. Operational and technological solutions are focused on providing customers with services of the highest quality and safety. PFS specializes in keeping accounts of participants in investment funds, pension funds and PPK.

PFS is the only company that supports OFE funds using the services of an external transfer agent.

Centrum Kart S.A. – CK S.A.

The company provides comprehensive services related to, inter alia, with support for payment card management systems, transaction authorization and card personalization. The company's activity is mainly related to the provision of services for the needs of Bank Pekao S.A. The company, in cooperation with the Bank, implements projects aimed at extending the Bank's product offer.

6.3 Awards and distinctions

Our activities aimed at providing customers with the highest quality products and services, the innovation of the proposed solutions gain the recognition of customers, industry specialists, the market and the media, as evidenced by many awards and distinctions received both at home and abroad.

Forbes 5-star rating for Private Banking

In the prestigious Private Banking ranking of the Forbes magazine, for the fifth time in a row, we received the highest five-star rating. The award confirms the high quality of the services provided and the availability of solutions that meet the needs of an exceptionally demanding group of customers. The justification indicated a unique, wide investment offer and credit cards with a package of value-added services.

1st place in the personal account category in the Złoty Bankier ranking

In 2021, Konto Przekorzystne took the first place in the prestigious Złoty Bankier ranking in the category of the best personal account. According to experts, Konto Przekorzystne responds best to the needs of various customer groups, both those using only traditional services and innovative mobile solutions.

The Best Investment Bank in Poland according to Global Finance

For the fifth time in a row, the bank received the title of "The Best Investment Bank in Poland", awarded in the prestigious competition of the international magazine Global Finance.

Private Banking account awarded with the Golden Quality International Emblem

The Private Banking account was awarded with the Golden Quality International 2021 Emblem in the Top Quality Product category. The Program Committee, under the patronage of: the Polish Agency for Enterprise Development, the Department of Process Management at the University of Economics in Krakow and the Polish Committee for Standardization, highly appreciated the activities related to the implementation and promotion of the idea of quality in all aspects of the Bank's operations, especially in the field of a new product for Private Banking clients.

Bank Pekao S.A. the best bank in trade finance in Poland

Global Finance magazine appreciated the Bank for the third time and awarded the first place in the field of trade finance for 2021. The evaluation took into account the value of the trade finance transaction portfolio, market share, quality and competitiveness of services offered to clients, methods of risk management related to trade finance transactions, as well as innovation and technology used in constructing the bank's offer.

EFMA awarded PeoPay KIDS the title of "Innovation of the month"

PeoPay KIDS awarded by the European Financial Management Association (EFMA - an international non-profit organization associating experts from the banking and insurance sector) for the innovative PeoPay KIDS package, thanks to which the child receives a practical and modern lesson in financial education and the parent acquires a tool to shape the child's entrepreneurial attitude and saving.

2nd place in the technology competition of Gazeta Bankowa - "TechnoBiznes 2021" for PeoPay KIDS

In this year's competition, the PeoPay KIDS application was awarded in the "Leader 2020" category. The application was recognized as the best implementation in the area of new technologies.

1st place in the Best Remote Account Opening Process for the Bank - Institution of the Year 2021 ranking

Customers and experts appreciated the complexity of the solution, the possibility of personalizing the offer, simple and understandable messages and the ease of taking photos.

A distinction for the Pekao24 website in the category "Best Internet banking" - Institution of the Year 2021

The Pekao24 website was among the winners in the "Best Internet Banking" category. The assessment took into account the functionality and ease of access to the account via internet banking.

6.4 Factors which will affect the results of the Group

The activity of Bank Pekao S.A. and the Group's companies is in majority conducted on the Polish territory, hence the Group's performance will be mainly affected by economic situation in the country and international events that have influence on domestic economy.

While the first months of the year were still marked by the strong impact of pandemic restrictions on the Polish economy, the end of the second quarter of 2021 is a time of its opening and a strong influx of optimism, related, among others, to the progress of the vaccination process. Bank Pekao S.A. currently estimates that Poland's GDP will grow by 5.5% y/y in 2021, and thus losses caused by the pandemic will be absorbed relatively quickly. Nevertheless, COVID-19 remains a major risk factor for the second half of the year, especially given the possibility of the spread of new coronavirus variants and further waves of illness in the autumn. At the same time it is assumed that the pressure on health services, and thus the scale of tightening and negative economic consequences, will be weaker than in case of previous waves.

Further development of the epidemic will have an impact on demand for banking products and possible further changes in the cost of risk as a result of updated assumptions about the economic situation.

Monetary policy is an important factor influencing banks' performance. In 2020, considering the economic situation, the MPC has decided to significantly reduce interest rates, including the main interest rate from 1.50% to 0.10%. Very low interest rates have a strong, adverse impact on the results of the banking sector (through the impact on the net interest result of banks), while the transmission of this effect is spreading over time and is still being mirrored in the banks' results.

In addition to the economic situation and monetary policy, banks are also directly affected by the coronavirus epidemic, which results from actions taken by the regulator and the strategic role of the banking sector for the economy. Most important actions are described in the section about external conditions ("Epidemic environment").

Independently from economic situation, tax and regulatory environment invariably plays major role for banks. In particular, this includes tax on certain financial institutions, high capital requirements, contributions to Bank Guarantee Fund (BFG), costs of further adjustment to a number of regulatory solutions (MIFID II, RODO, PSD II, MREL, among others), as well as introduction in Poland of cap on asset management fees. Although some burdens have been somewhat eased in the wake of the pandemic – including a 30% reduction in banks' mandatory contributions to BFG in 2021 – the tax and regulatory environment of the sector remains very restrictive, which, combined with the unprecedented economic situation, may constrain banks' credit expansion and impact their financial results.

The issue of foreign currency mortgages continues to be one of the most important factors in the institutional environment. Considering no systemic solution in this matter, the banking system will be most affected by court decisions in individual cases. A number of events (i.a. the rulings of CJEU) has led towards higher number of borrowers seeking judicial resolution. This will have a strong negative impact on the performance of banks, especially those with a large portfolio of such loans. So far, the main channel of influence has been the reserves established by banks due to the expected legal risk – they have already strongly impacted the 2020 results, as well as in the first half of 2021. According to most estimates, the total costs for the sector may reach several dozen billion zlotys, but they are difficult to estimate and will be spread over time. Much will depend on, among others, the actual number of lawsuits (how many borrowers will decide to take legal action), the interpretation of national courts in individual cases, the reactions of national supervisory institutions or the actions of the banks themselves. The opinion of the Civil Chamber of the Supreme Court may prove important in this context – it is expected to address a number of questions at a dedicated session (already postponed multiple times and currently scheduled for September 2021), the answers to which may become the main statutory interpretation of the law in future litigation.

Moreover, it cannot be ruled out that the issue of CHF loans will find a final solution by way of legislation. Bank Pekao S.A. will monitor the direction of decisions made by Polish courts, as well as market practice and borrowers' behaviour, and will assess on an ongoing basis the probability of cash outflow with respect to the mortgage loans in question. However, the impact may be indirect in case of potential financial problems of some smaller institutions with a particularly large exposure to the discussed risk.

Assuming further containment of the epidemic situation (thanks to vaccinations, among other things), a moderate scale of improvement in credit volumes can be expected in 2021. This may be visible in the retail segment to a greater extent (still solid demand for housing credit, rebound in consumer loans), while business sentiment will improve more slowly (gradually increasing interest in revolving credit and investment loans). With a strong labour market despite the impact of the pandemic, household deposits will still maintain a solid pace. High base (inflow of funds from anti-crisis shields in 2020) will in turn limit dynamics of corporate deposits, elevated in recent months.

6.5 Description of major sources of risk and threats relating to the remaining months of 2021

Economic factors

Bank Pekao S.A. and its subsidiaries operate mainly on the territory of Poland. Therefore, the Group's performance will be influenced by the economic events in Poland and international events that have an impact on Poland's economy.

Risk management

Effective risk management is a prerequisite for maintaining a high level of security of the funds entrusted to the Group, and for achieving a sustainable and balanced profit growth within the Group's risk appetite.

The key risks material for the Group include credit risk, liquidity and market risks and operational risk. Moreover, the Group identifies the following risks as material in its business activity: business, macroeconomic, reputation, compliance, excessive leverage, bancassurance, real estate, financial investment, model risks.

The Group has adopted a comprehensive and consolidated approach to risk management. It extends to all units of the Bank and subsidiaries. Risks are monitored and managed taking into account business profitability and the capital required to cover the losses resulting from these risks.

The Management Board of the Bank is responsible for achieving the strategic risk management goals, while the Supervisory Board, supported by the Risk Committee, oversees whether the Group's policy of taking various risks is compliant with the overall strategy and financial plan. The Credit Committee plays an important role in the credit risk management, the Asset, Liability and Risk Committee and Liquidity and Market Risk Committee in market and liquidity risk management, the Operational Risk Committee in the management of the operational risk and the Model Risk Committee in model risk management.

The rules of managing each of the risks are defined by internal procedures and the guidelines set up by the credit risk policy, investment and market risk policy and the operational risk strategy and policy accepted annually by the Management Board and approved by the Supervisory Board.

Detailed reports on credit, liquidity, market, operational and model risks are presented to the Management Board and the Supervisory Board on a regular basis.

The rules and instruments of managing each of the risks and information on the risk exposure are included in Note 7 to the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the period from 1 January 2021 to 30 June 2021 and in the document "Information in respect to capital adequacy of Bank Pekao S.A. Group as at 30 June 2021" published on the Bank's website.

Risks related to the remaining months of 2021

In the second half of 2021, the Bank will continue its strategy focused on keeping credit risk at adequate and safe level through prudent policy of credit portfolio development. Prudent standards in credit risk management in Bank Pekao S.A. will be based on the new Credit Risk Policy taking into account among the others measures limiting the threats coming from macroeconomic factors related to the COVID-19 pandemic and their impact on the quality of credit portfolio. The same approach is applied to the performance of the Bank's subsidiaries. Regardless of the measures taken, the credit risk of the entire sector depends on the development of the pandemic situation. However, the expected scenario is to improve the economic situation in Poland.

In the case of liquidity and market risks, Bank Pekao S.A. draws attention to the possibility of ending non-standard actions of central banks related to the pandemic and the possibility of ending government programs to counteract the effects of COVID-19. Possible increases in interest rates related to rising inflation and economic recovery will be an important factor for financial markets in the coming months. As regards liquidity risk, it should be underlined that the Bank is characterized by a well-diversified, stable deposits base with low concentration and manages a substantial liquidity buffer of eligible and marketable government securities. The cautious liquidity risk management policy enables to expect stable liquidity situation and high liquidity level in the second half of 2021.

As to market risk, the Bank is to keep the level of its exposure strictly under control. The Bank assesses the structural interest rate risk as significant mainly due to the limited ability of the Bank to adjust the interest rate of liabilities to reductions in market interest rates.

The Bank does not identify any new significant factors implying change of operational risk profile, which could occur in the second half of 2021.

7. Human Resources Management

Human Capital as a key asset

The principles of the Bank's policy in the area of Human Resources (HR) development are set by its mission and values considered as the key for the Bank sustainable growth.

We invest in training, professional development of employees, creating a friendly work environment and conduct employee satisfaction and opinion surveys. An important area of our HR policy is also searching for particularly talented people within the organization and investing in the development of their skills.

Training and professional development

We create learning opportunities and provide access to various forms of training for our employees. Educational programs include classroom training, remote training, workplace training, electronic training, coaching and the Virtual Classroom system allowing for distance learning in form of Webinars.

In the first half of 2021, in connection with the ongoing COVID-19 pandemic, the majority of the conducted HR projects were implemented remotely.

In the first half of 2021, the main training priorities of the Bank were as follow:

- training for managerial staff,
- implementation of cybersecurity trainings,
- realization of mandatory training required under internal and external regulations.

The key training and development program implemented for the managerial staff covered almost 1,5 thousand employees from various levels of the organization. In addition to training in the program, participants can benefit from inspirational lectures and take part in community leaders meetings.

A special program dedicated to employees interested in their own development was prepared and carried out, including over 100 sessions and 20 different topics. Almost 2 thousand employees could benefit from training program.

In the first half of 2021, the Bank delivered in form of class room almost 120 thousand of training hours (class room and virtual sessions), in which attended almost 9 thousand of employees confirming the Bank's determination in efficient implementation of required regulations and customer care.

E-learning courses have been delivered at the level of over 150 thousand hours, including projects related to cybersecurity, anti-corruption, improving communication in Polish or videos regarding online security.

Development programs and initiatives

In the first half of 2021, development programs and initiatives were provided for the Bank employees, aimed at providing support in the development of managerial and interpersonal skills.

The priority of development programs in the Bank is identification, review, verification and development of current and future leaders of the Bank.

The Bank performs the following processes related to this issue:

- Succession Plans, which have fundamental importance in ensuring continuous employment on strategic positions, continuity of long-term projects and minimizing operational risk,
- Annual Employee Appraisal System – process of evaluation of the Bank's employees which comprises appraisal of competencies, potential, personal development planning and business goals appraisal. In the first half of 2021, almost 9 thousand of employees took part in the process,
- Assessment Centre/Development Centre session – a diagnostic tool designed to identify employee's potential, used in recruitment, promotion and employee development processes. Bank implemented a permanent process of the Assessment Center for selected positions.

The Bank also offers the development initiatives focused on supporting the employees in their professional career development and improvement of their skills, knowledge, and competencies as well as a number of initiatives strengthening the employees' engagement.

Apprenticeship programs

One of the annual initiatives is to obtain a certain number of students and graduates from the best universities in Poland and abroad and to offer them professional development within the organization.

In order to realize the above mentioned objective the apprenticeship programs were implemented. The apprenticeships last from 1 to 3 months and give an opportunity to gain experience in different areas of banking, in all of the Bank's units.

Compensation policy

The compensation strategy was developed in line with the business standards and values underlying the Bank's mission and reflected in the internal regulations as well as it constitutes the basis for enhancing and protecting the Bank's reputation and creating long term value for all the stakeholders. The key regulation in this area is the *Remuneration Policy of Bank Polska Kasa Opieki Spółka Akcyjna*, the last update of which entered into force by the Order of the President of the Management Board of October 7, 2020. This policy reflects the mission and values in the Bank's approach to remuneration systems.

Incentive systems

In the Bank, there are three main incentive systems: an Executive Variable Compensation System, a System based on Management by Objectives (MBO), and a System based on provisions of Corporate Collective Labour Agreement, which is based on quarterly bonuses and incentive reward.

Executive Variable Compensation System is dedicated to people holding managerial positions, who have significant influence on the risk profile of the Bank. The aim of the System is to support the execution of the Bank's operational strategy and to mitigate excessive risk conflicts of interest. Participant covered by the system may receive a variable compensation based on a bonus pool approach. The System provides a comprehensive performance measurement at individual level, level of his/her organizational unit and results of the entire Bank, as well as verification of the participant's compliant behaviour with respect to law provisions and standards adopted by the Bank.

MBO system covers employees employed under the management contract and refers in particular to the positions in the front-office sales and to the managerial positions, which play a significant role in achieving the Bank's commercial goals. The employees covered by the MBO system receive individual goals resulting from the strategy and activity directions of the Bank approved for a particular year, the annual bonus value is conditioned by completion level of those tasks. Starting from 2018, the possibility of settling bonuses on a quarterly basis and the advance payment of bonuses for the achievement of individual annual goals was introduced, which it was restarted after a period determined by the epidemic situation affecting the way of setting and accounting for individual goals.

According to the provisions of the Corporate Collective Labour Agreement the basis of the system is a quarterly bonus which is discretionary and depends on evaluation of employee's performance, the level of commitment and the results achieved by the Bank in a given year, as well as the incentive bonus, which is granted for outstanding work achievements. Sales function employees receive an individual settlement of the objectives, including monitoring of the compliance and the quality of sales activities undertaken.

Additional benefits for employees

Within the scope of remuneration system, the Bank's employees are offered non-wage benefits allowing fair treatment and consistency of remuneration system.

The Bank provides its employees with additional medical care in domestic network of private medical clinics.

Selections and Suitability Assessment Policy

The Bank has a *Policy of selecting candidates for the position of a member of the Management Board and the key function as well as assessing the suitability of proposed and appointed members of the Management Board, Supervisory Board and persons holding key functions at Bank*. In the first half of 2021 the Bank assessed the suitability of the candidates for function of Member of the Management Board and secondary assessment of suitability of Members of the Management Board including an individual assessment of their qualifications, reputation, and additional criteria for management according to the mentioned policy, as well as collective assessment. Additionally, the General Meeting approved the presented self-assessment of Supervisory Board Members as part of the secondary suitability assessment and collective self-assessment.

Gender equality and Diversity policy

The Bank has a *Gender equality and diversity policy with regard to members of the Supervisory Board, members of the Management Board and persons holding Key Functions at Bank Polska Kasa Opieki Spółka Akcyjna*, which defines the strategy in the scope of managing diversity of the Bank's employees, including diversity with regard to the appointment of members of the Supervisory Board, members of the Management Board and persons performing Key Functions at the Bank. The gender equality and diversity policy defines guidelines aimed at ensuring that the Bank's employees can manage their careers, achieve success and evaluate their work on the basis of individual achievements, regardless of gender.

Culture and Corporate values

Organizational culture of Bank Pekao S.A. has over 90 years of tradition - shaping strong relationships between employees, employees with customers and the bank with local communities. It is based on concern for the common good, which is one of the values that guided the founders of the bank. This value, developed and strengthened over several dozen years, meant that the bank is perceived on the market as a responsible partner and a reliable financial institution.

In 2021, the Bank's Management Board announced a new strategy and new values on which we want to work and achieve success. The new catalogue of values was created thanks to the five thousand votes of our employees who jointly developed the basement of a new organizational culture - four values: SIMPLY, TOGETHER, COURAGEOUSLY and RESPONSIBLE. The attitudes and behaviours defined within them support effective cooperation within the organization and set the direction for building positive experiences of bank customers. Along with the new catalogue of values, the Bank's Management Board also adopted Valuable Team Management Principles, i.e. a set of ten universal principles that should be followed by every manager when working with his team.

Relations with Trade Union Organizations

The cooperation between the Bank and trade unions in the range of consultation, negotiations and other agreements were led pursuant to the rules defined in the labour law, with respect for both sides' interests and social dialog rules. In the first half of the year 2021, 2 two-days stationary meetings took place and due to the COVID-19 pandemic - 17 "teleconferences" with the social side. The meetings and arrangements concerned mainly the restructuring of employment in the Bank. As a result, Bank concluded an agreement defining the principles of collective redundancies with 7 trade unions operating at the Bank. The parties to the agreement, among others agreed on the selection criteria for employees whose employment contracts would be terminated and whose terms and conditions of employment would be amended as part of collective redundancies, severance pay conditions and additional compensation and the scope of the assistance program for dismissed employees. It was also agreed that collective redundancies would cover not more than 1 110 employees in case of termination of employment contracts and not more than 1 250 employees in case of amendment of terms and conditions of employment until 30th June 2021.

The Bank in the mutual relations with Trade Unions followed the principle of good will to work the best solutions in the range of collective labour law for both Employees and for the Bank.

Relations with the Works Council

On 22nd February 2021, the Bank held elections of the Members of the Employees' Council of Bank Pekao S.A. for the cadence 2021 - 2025. The Council is a representative of the workforce, authorized to get information and carry out consultation with the employees on matters defined by the Worker Information and Consultation Act of April 7th 2006. Discussed with the Employee Council were issues covered by the relevant legal regulations and the Co-operation with the Works Council progressed with respect to the mutual rights of the parties involved. Information from meetings of the Employee's Council with the employer are posted in the form of messages on intranet sites and are available to all employees of the Bank.

Workforce in number

As of 30 June 2021, the Group employed 15,540 employees (in the Bank and the companies consolidated under full consolidation method) as compared to 15,730 employees as at the end of June 2020 and was lower y/y despite of the acquisition of Idea Bank S.A. with exceptions on 3 January, 2021, whose employees became employees of the Bank pursuant to Art. 23 of the Labor Code. The average age of the Bank employees is 45,7 years, 73,3% of the employees are university graduates, women represent 71,3% of the total workforce.

8. Statement of Financial Position and Financial Results

Consolidated income statement containing cumulated items for the period from 1 January to 30 June, 2021 and 2020 respectively is presented in the Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the first half of 2021.

The Report on activities of Bank Pekao S.A. Group for the half of 2021, includes statement of financial position in a short form and income statement in a presentation form as well as the key, selected items from these statements are discussed.

Strategy

In line with the Strategy, in 2024 the Group plans to achieve ROE at the level of 10% and the cost/income ratio (including BGF fees) at the level around 42%. We plan to achieve this thanks to:

- growth of the loan portfolio at the rate of 6-8% per year,
- improvement in interest margin by 5-8 bp annually,
- keeping the dynamics of operating costs below inflation.

Main P&L items

Net profit of the Bank Pekao S.A. Group attributable to the Bank's holders for the first half of 2021 amounted to PLN 850.4 million and was higher by PLN 304.4 million i.e. 55.7% y/y, ROE (with linear BFG distribution) reached the level of 7.3% (nominal 6.7%).

In the first half of 2021, the Group's operating income amounted to PLN 4,132.7 million and was lower by 0.9% in comparison with the first half of 2020, mainly due to the non-interest result, the increase of which compensated for the negative impact of interest rate cuts.

- Net interest income in the first half of 2021, amounted to PLN 2,673.1 million and was lower by PLN 120.7 million, i.e. 4.3% in compared to the first half of 2020, mainly due to the negative impact of interest rate cuts.
- The Group's net fee and commission income in the first half of 2021, amounted to PLN 1,288.6 million and was higher by PLN 106.6 mln i.e. 9.0% compared to the first half of 2020, mainly due to the adaptation of the offer to the changing market conditions and the positive sentiment on the capital markets, offsetting the impact of lower customer activity in the pandemic, translating into lower commissions on card operations, and the negative impact of regulatory changes in the area of investment funds.

On 23 March 2021 the Bank concluded an agreement defining the principles of collective redundancies with seven trade unions operating at the Bank, including all representative trade unions. The intention of the Bank's Management Board was to terminate employment contracts with up to 1 110 employees and amend terms and conditions of employment with up to 1 250 employees in the period from 24 March 2021 to 30 June 2021.

The Bank estimated all the costs of termination of employment contracts and amendment of terms and conditions of employment the Bank's employees related to the collective redundancies for the amount of PLN 120 million and the restructuring provision in this amount was created in the Bank's accounting books.

In the first half of 2021, the Group's operating costs including contributions and payments to the Bank Guarantee Fund amounted to PLN 2,215.3 million and were lower by PLN 90.2 million, i.e. 4.2% than in the first half of 2020. The operating costs, excluding costs of the acquired company Idea Bank SA in the first half of 2021, were higher by 1.3% y/y, below inflation, despite the costs of investment in operational transformation and digitization. The dynamics of costs was consistent with the assumptions of the Strategy.

In the first half of 2021 the Bank Guarantee Fund fee amounted to PLN 232.2 million, and were lower of PLN 61.6 million as compared to the first half of 2020.

The Group's Net allowances for expected credit losses amounted to PLN 367.9 million in the first half of 2021, and was lower than in the corresponding period of 2020 by 54.3% y/y, mainly due to the creation of additional write-offs related to the COVID-19 pandemic in the first half of last year. The costs of risk in the first half of 2021 amounted to 0.43%.

Tax on certain financial institutions in the first half of 2021 amounted to PLN 353.2 million and was higher by PLN 26.9 million, i.e. 8.2% as compared to the first half of 2020, due to an increase in Group's assets.

Volumes

As at the end of June 2021, loans and advances at nominal value amounted to PLN 168,976.4 million, an increase of PLN 10,671.6 million, i.e. 6.7% in comparison to the end of June 2020.

As at the end of June 2021, the volume of retail loans amounted to PLN 80,926.9 million, an increase of PLN 2,492.2 million, i.e. 3.2% in comparison to the end of June 2020, thanks to dynamic growth of PLN mortgage loans by 6.0% y/y. As at the end of June 2021, corporate loans and non-treasury debt securities amounted to PLN 88,049.5 million, an increase of PLN 8,179.4 million, i.e. 10.2% in comparison to the end of June 2020, however with the growth in the segment of enterprises (13.3% y/y) and leasing receivables.

As at the end of June 2021, amounts due to the Group's customers and debt securities issued amounted to PLN 199,940.5 million, an increase of PLN 8,044.1 million, i.e. 4.2% in comparison to the end of June 2020, with volume of retail deposits growing by 14.8% y/y.

The value of net assets of investment funds managed by Pekao TFI S.A. amounted to PLN 21,421.6 million as at the end of June 2021, an increase of PLN 4,032.4 million, i.e. 23.2% in comparison to the end of June 2020.

8.1 The consolidated income statement – presentation form

In the first half of 2021, we generated the net profit of the Bank Pekao S.A. Group attributable to the Bank's holders at the level of PLN 850.4 million and was higher by PLN 304.4 million i.e. 55.7% y/y, mainly due to higher net fee and commission income and lower impairment losses on assets financial, (higher write-offs related to the COVID-19 pandemic created in 2020).

On 3 January, 2021, the Bank took over the enterprise and liabilities of Idea Bank S.A. with exclusions as a result of the BGF's application of the resolution instrument on 30 December, 2020.

(in PLN million)

	1 HALF OF 2021	1 HALF OF 2020	CHANGE
Net interest income	2,673.1	2,793.8	(4.3%)
Net fee and commission income	1,288.6	1,182.2	9.0%
Dividend income	25.6	26.0	(1.5%)
Trading result	129.8	104.4	24.3%
Net other operating income and expenses (*)	15.6	(8.6)	x
Net non-interest income (*)	1,459.6	1,304.0	11.9%
Operating income (*)	4,132.7	4,097.8	0.9%
Operating costs	(1,983.1)	(1,831.3)	8.3%
Gross operating profit (*)	2,149.5	2,266.4	(5.2%)
Net allowances for expected credit losses	(367.9)	(804.9)	(54.3%)
Net operating profit	1,781.6	1,461.5	21.9%
Bank Guarantee Fund fee	(232.2)	(293.8)	(21.0%)
Tax on certain financial institutions	(353.2)	(326.3)	8.2%
Gains (losses) on associates	0.4	-	x
Profit before tax	1,196.6	841.4	42.2%
Income tax expense	(345.1)	(294.5)	17.2%
Net profit	851.5	546.9	55.7%
Attributable to equity holders of the Bank	850.4	546.0	55.7%
Attributable to non-controlling interest	1.0	0.9	11.1%

Operating income

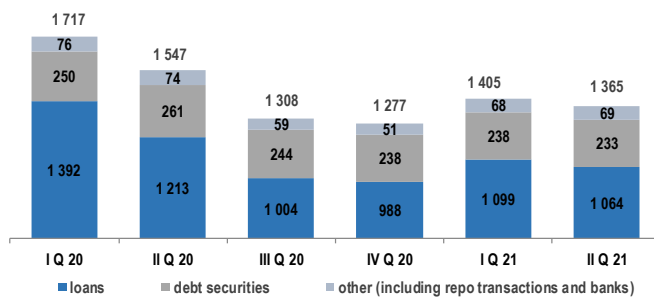
In the first half of 2021, the Group's operating income amounted to PLN 4,132.7 million and was lower by 0.9% in comparison with the first half of 2020, mainly due to the non-interest result, the increase of which compensated for the negative impact of interest rate cuts.

Total net interest income

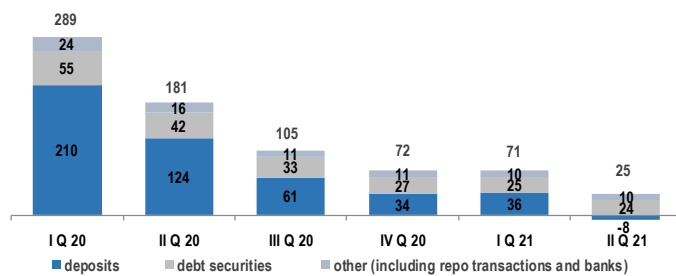
(in PLN million)

	1 HALF OF 2021	1 HALF OF 2020	CHANGE
Interest income	2,769.7	3,264.5	(15.2%)
Interest expense	(96.6)	(470.7)	(79.5%)
of which on leasing	(5.0)	(5.4)	(7.0%)
Net interest income	2,673.1	2,793.8	(4.3%)

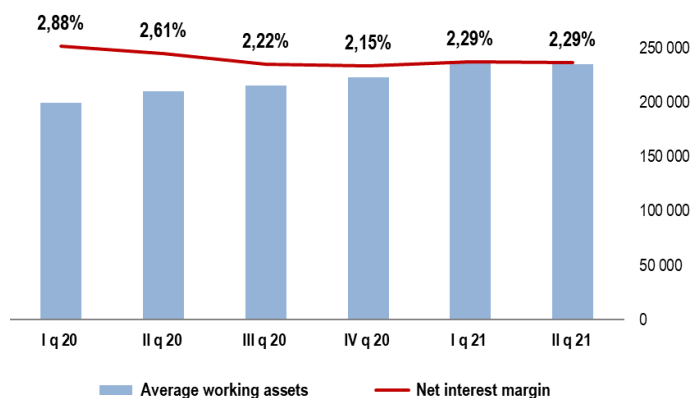
Net interest income in the first half of 2021, amounted to PLN 2,673.1 million and was lower by PLN 120.7 million, i.e. 4.3% in compared to the first half of 2020, mainly due to the negative impact of interest rate cuts.

Interest income


In the first half of 2021, the interest income amounted to PLN 2,769.7 million and was lower by PLN 494.8 million y/y due to the negative impact of interest rates' cut on the interest income. The decrease in revenues was partially offset by additional interest income on assets acquired from Idea Bank S.A.

Interest expense


In the first half of 2021, the interest expense amounted to PLN 96.6 million and was lower by PLN 374.1 million y/y, (despite a strong increase in the volume of deposits), mainly due to the adaptation of the Bank's product offer to the market conditions.

Interest margin


The interest margin achieved in the second quarter of 2021 was 2.29% and was 0.14 p.p. higher than the margin achieved in the fourth quarter of 2020 thanks to commercial activities and the positive impact of assets acquired from Idea Bank.

Net non-interest income

(in PLN million)

	1 HALF OF 2021	1 HALF OF 2020	CHANGE
Fee and commission income	1,537.6	1,396.2	10.1%
Fee and commission expense	(249.0)	(214.0)	16.4%
Net fee and commission income	1,288.6	1,182.2	9.0%
Dividend income	25.6	26.0	(1.5%)
Trading result	129.8	104.4	24.3%
of which gains on derecognition of financial assets and liabilities not measured at fair value through profit or loss	34.0	44.2	(23.1%)
Net other operating income and expense	15.6	(8.7)	x
Net non-interest income	1,459.6	1,303.8	11.9%

The Group's net fee and commission income in the first half of 2021, amounted to PLN 1,288.6 million and was higher by PLN 106.6 mln i.e. 9.0% compared to the first half of 2020, mainly due to the adaptation of the offer to the changing market conditions and the positive sentiment on the capital markets, offsetting the impact of lower customer activity in the pandemic, translating into lower commissions on card operations, and the negative impact of regulatory changes in the area of investment funds.

The table below presents the Group's net fee and commission income divided according to the main areas of the activity.

(in PLN million)

	1 HALF OF 2021	1 HALF OF 2020	CHANGE
Net fee and commission income	1,288.6	1,182.2	9.0%
on loans	261.8	229.8	13.9%
on cards	120.4	137.4	(12.4%)
on mutual funds	183.1	193.7	(5.5%)
on brokerage activate	73.1	45.3	61.4%
on margins on foreign exchange transactions with clients	264.5	250.0	5.8%
other	385.7	326.0	18.3%

Operating costs

In the first half of 2021, the Group's operating costs including contributions and payments to the Bank Guarantee Fund amounted to PLN 2,215.3 million and were lower by PLN 90.2 million, i.e. 4.2% than in the first half of 2020. The operating costs, excluding costs of the acquired company Idea Bank SA in the first half of 2021, were higher by 1.3% y/y, below inflation, despite the costs of investment in operational transformation and digitization. The dynamics of costs was consistent with the assumptions of the Strategy.

On 23 March 2021 the Bank concluded an agreement defining the principles of collective redundancies with seven trade unions operating at the Bank, including all representative trade unions. The intention of the Bank's Management Board was to terminate employment contracts with up to 1 110 employees and amend terms and conditions of employment with up to 1 250 employees in the period from 24 March 2021 to 30 June 2021.

The Bank estimated all the costs of termination of employment contracts and amendment of terms and conditions of employment the Bank's employees related to the collective redundancies for the amount of PLN 120 million and the restructuring provision in this amount was created in the Bank's accounting books.

(in PLN million)

	1 HALF OF 2021	1 HALF OF 2020	CHANGE
Personnel expenses ^(*)	(1,059.0)	(987.5)	7.2%
Other administrative expenses ^(**)	(486.5)	(450.9)	7.9%
of which Financial supervision authority fee (PFSA)	(24.4)	(18.2)	34.0%
Depreciation and amortization	(317.6)	(258.2)	23.0%
Operating costs excluding restructuring provision	(1,862.7)	(1,696.6)	9.8%
Provisions for FTEs restructuring	(120.0)	(120.0)	x
Network restructuring	-	(14.7)	x
Operating costs	(1,983.1)	(1,831.3)	8.3%

(*) Excluding restructuring provision.

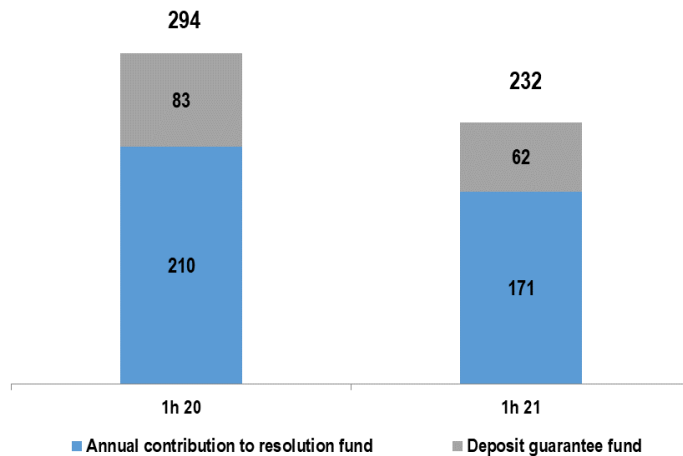
(**) Excluding network restructuring.

In the first half of 2021, cost / income ratio amounted to 48.0% and was higher by 3.3 p.p. y/y.

As of 30 June 2021, the Group employed 15,540 employees (in the Bank and the companies consolidated under full consolidation method) as compared to 15,730 employees as at the end of June 2020 and was lower y/y despite of the acquisition of Idea Bank S.A. with exceptions on 3 January, 2021, whose employees became employees of the Bank pursuant to Art. 23 of the Labor Code.

Bank Guarantee Fund fee

In the first half of 2021 the Bank Guarantee Fund fee amounted to PLN 232.2 million, and were lower of PLN 61.6 million as compared to the first half of 2020.



Tax on certain financial institutions

Tax on certain financial institutions in the first half of 2021 amounted to PLN 353.2 million and was higher by PLN 26.9 million, i.e. 8.2% as compared to the first half of 2020, due to an increase in Group's assets.

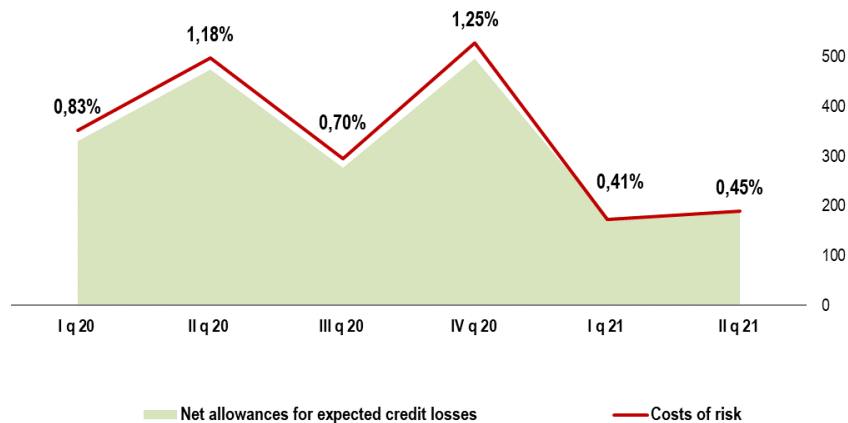
8.2 Net allowances for expected credit losses

(in PLN million)

	GRUPA		BANK PEKAO S.A.	
	1 HALF OF 2021	1 HALF OF 2020	1 HALF OF 2021	1 HALF OF 2020
financial assets measured at amortized cost	(469.6)	(691.2)	(461.4)	(656.7)
financial assets measured at fair value through other comprehensive income	46.2	(21.1)	45.3	(21.8)
financial liabilities measured at amortized cost	55.5	(92.6)	80.6	(109.5)
Net allowances for expected credit losses	(367.9)	(804.9)	(335.5)	(788.0)

The Group's Net allowances for expected credit losses amounted to PLN 367.9 million in the first half of 2021, and was lower than in the corresponding period of 2020 by 54.3% y/y, mainly due to the creation of additional write-offs related to the COVID-19 pandemic in the first half of last year.

Costs of risk



The costs of risk in the first half of 2021 amounted to 0.43% and was lower by 0.58 p.p. y/y.

8.3 The structure of the net profit

(in PLN million)

	1 HALF OF 2021	1 HALF OF 2020	CHANGE
Net profit of Bank Pekao S.A.	891.1	605.7	47.1%
Entities consolidated under full method			
Pekao Investment Management S.A.	42.2	52.4	(19.5%)
Pekao Leasing Sp. z o.o.	37.8	6.2	> 100%
Pekao Faktoring Sp. z o.o.	19.4	7.9	> 100%
Pekao Investment Banking S.A. ^(*)	7.3	(2.4)	x
Centrum Kart S.A.	4.1	(0.7)	x
Pekao Financial Services Sp. z o.o.	3.1	2.6	19.2%
Pekao Bank Hipoteczny S.A.	2.0	(1.5)	x
Dom Inwestycyjny Xelion Sp. z o.o.	0.9	0.3	> 100%
Pekao Powszechne Towarzystwo Emerytalne S.A. w likwidacji ^(**)		0.2	x
FPB "MEDIA" Sp. z o.o. w upadłości	0.0	0.0	x
Pekao Direct Sp. z o.o.	(0.1)	2.8	x
Pekao Fundusz Kapitałowy Sp. z o.o. w likwidacji	(0.1)	0.1	x
Pekao Property S.A. w likwidacji	(0.2)	(0.1)	100.0%
Entities valued under the equity method			
Krajowy Integrator Płatności S.A. ^(***)	0.4	-	x
Exclusions and consolidation adjustments ^(****)	(157.5)	(127.5)	23.5%
Net profit of the Group attributable to equity holders of the Bank	850.4	546.0	55.7%

^(*) On May 29, 2020, Pekao IB concluded a sales agreement with Bank Pekao S.A. as part of the consolidation and integration process of the brokerage activities in the Pekao Group, an organized part of the enterprise covering brokerage activities. This transaction was classified as an intra-group transaction and the result of this transaction was recognized in the Group's equity.

^(**) The liquidation process of Pekao Powszechne Towarzystwo Emerytalne S.A. in liquidation has been completed. On November 19, 2020, the Company was removed from the National Court Register.

^(***) On March 31, 2021, the purchase transaction was completed, as a result of which the Bank became the owner of shares representing 38.33% of the capital and entitling to 38.33% votes at the General Meeting of Krajowy Integrator Płatności SA with its registered office in Poznań, a Tpay.com guide.

^(****) Includes, among others, transactions within the Group (including dividends from subsidiaries for the previous years), and net profit attributable to non-controlling interest.

Results of the Bank's major related entities

Pekao Investment Management S.A. - Pekao IM

Consolidated net profit of Pekao IM in the first half of 2021 amounted to PLN **42.2** million, compared to PLN 52.4 million in the first half of 2020. The decline in the result was due to reductions in fund management fees, adjusted to statutory restrictions and to the macroeconomic situation.

Pekao Leasing Sp. z o.o. - Pekao Leasing

In the first half of 2021, Pekao Leasing generated a net profit of PLN **37.8** million, compared to a profit of PLN 6.2 million in the first half of 2020. The result in the first half of 2020 was lower due to the pandemic, including an increase in costs of risk. As a result of the stabilization of the COVID-19 situation in the first half of 2021, the costs of risk are lower, and the Company achieved an increase in revenues by 34.7%, while maintaining strict cost control.

Pekao Faktoring Sp. z o.o. - Pekao Faktoring

In the first half of 2021, Pekao Faktoring generated a net profit of PLN **19.4** million, compared to a profit of PLN 7.9 million in the first half of 2020. In the first half of 2021, the Company achieved an increase in factoring involvement by 22.0% y / y and revenues by 45.6%, with strict cost control. Pekao Faktoring ranks first in terms of turnover on the Polish factoring market.

Pekao Investment Banking S.A. - Pekao IB

In the first half of 2021, Pekao IB achieved a net profit of PLN **7.3** million, compared to a loss of PLN 2.4 million in the first half of 2020. The profit generated is the result of a greater number of advisory transactions, while in the first half of last year, the lack of projects was the result of the unfavorable economic situation resulting from the pandemic.

Centrum Kart S.A. – Centrum Kart

In the first half of 2021, Centrum Kart achieved a net profit of PLN **4.1** million, compared to a loss of PLN 0.7 million in the first half of 2020. The higher net result is related to the increase in the income generated as part of the services provided for the Bank.

Pekao Financial Services Sp. z o.o. - PFS

In the first half of 2021, PFS generated a net profit of PLN 3.1 million (including the Bank's share of PLN **2.0** million), compared to a profit of PLN 2.6 million in the first half of 2020. The net result was higher mainly due to the revenues generated from servicing the implemented 4 stages of the PPK program.

Pekao Bank Hipoteczny S.A. - Pekao Bank Hipoteczny

In the first half of 2021, Pekao Bank Hipoteczny recorded a net profit of PLN **2.0** million compared to a loss of PLN 1.5 million in the first half of 2020. The result is higher thanks to the acquisition of a loan portfolio as part of cooperation with Bank Pekao S.A. and thanks to lower contributions and payments to the Bank Guarantee Fund than in the first half of 2020 and a lower cost of risk.

Dom Inwestycyjny Xelion Sp. z o.o. - DI Xelion

DI Xelion's net profit in the first half of 2021 amounted to PLN **0.9** million, compared to PLN 0.3 million in the first half of 2020. As a result of the stabilization of the pandemic situation, clients return to invest in investment funds, which allowed for a higher net result in the first half of 2021.

Pekao Direct Sp. z o.o. - Pekao Direct

In the first half of 2021, Pekao Direct recorded a net loss of PLN **0.1** million compared to the result of PLN 2.8 million in the first half of 2020. Revenues in the first half of 2021 were lower by 2.7% y/y, with an increase in costs resulting from the growing pressure on remuneration of telemarketers. The result for the first half of 2020 was influenced by the increase in services provided to the Bank using remote communication channels in a pandemic situation.

The results of Bank Pekao S.A.

The main items from the Bank's income statement in presentation form are as follows:

(in PLN million)

	1 HALF OF 2021	1 HALF OF 2020	CHANGE
Net interest income	2,554.9	2,714.4	(5.9%)
Net non-interest income	1,408.3	1,259.2	11.8%
Operating income	3,963.2	3,973.6	(0.3%)
Operating costs	(1,838.4)	(1,690.6)	8.7%
Gross operating profit	2,124.7	2,283.0	(6.9%)
Net impairment losses on financial assets and off-balance sheet commitments	(335.5)	(788.0)	(57.4%)
Net operating profit	1,789.2	1,495.0	19.7%
Bank Guarantee Fund fee	(230.5)	(291.4)	(20.9%)
Tax on certain financial institutions	(353.2)	(326.3)	8.2%
Gains (losses) on associates	(0.2)	(0.4)	(50.0%)
Profit before tax	1,205.4	876.8	37.5%
Net profit	891.1	605.7	47.1%

Net profit of Bank Pekao S.A. in the first half of 2021, amounted to PLN 891.1 million and was higher by 47.1% y/y, mainly due to lower impairment losses on financial assets as well as lower contributions and payments to the Bank Guarantee Fund.

The main Bank's financial information are as follows:

	30.06.2021	30.06.2020	CHANGE
STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS (in PLN million)			
Loans and advances at nominal value ^(*)	156,909.2	149,304.4	5.1%
Amounts due to customers	192,340.0	184,905.9	4.0%
Structured Certificates of Deposit	48.4	935.5	(94.8%)
Certificates of Deposit	-	457.0	x
Subordinated bonds	2,750.0	2,750.0	0.0%
Total assets	233,282.2	227,290.7	2.6%
Investment funds distributed through the Bank's network	19,807.4	16,260.8	21.8%
Total capital ratio in %	20.3%	20.4%	-0.1 p.p.

(*) Including loans and non-treasury debt securities.

Loans and advances at nominal value at the end of June 2021 amounted to PLN 156,909.2 million and were higher by PLN 7 604.8 million, i.e. 5.1% than at the end of June 2020. At the end of June 2021, retail loans amounted to PLN 78,364.7 million, and corporate loans - PLN 65 905,3 million.

Amounts due to customers, Structured Certificates of Deposit, Certificates of Deposit and Subordinated Bonds at the end of June 2021 amounted to PLN 195,138.4 million and were higher by PLN 6,090.0 million, i.e. 3.2% compared to the end of June 2020.

Net assets of investment funds managed by Pekao TFI S.A. distributed by the Bank's network at the end of June 2021 amounted to PLN 19,807.4 million and was higher by PLN 3,546.6 million, i.e. 21.8% compared to the end of June 2020.

8.4 Structure of the consolidated statement of financial position – short form

The balance sheet of Bank Pekao S.A. determines the amount of total assets in balance sheet and the structure of the assets and liabilities of the Group. As at the end of June 2021, the total assets of Bank Pekao S.A. constitutes 96.0% of the total assets of the whole Group.

The table below presents the Group's statement of financial position – short form.

ASSETS	30.06.2021		30.06.2020		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Cash and due from Central Bank	7,606.8	3.1%	7,362.5	3.1%	3.3%
Loans and advances to banks ^(*)	2,209.3	0.9%	8,110.4	3.4%	(72.8%)
Loans and advances to customers ^(**)	163,174.9	67.1%	152,441.1	64.8%	7.0%
Reverse repo transactions	990.0	0.4%	950.9	0.4%	4.1%
Securities ^(***)	58,258.0	24.0%	54,145.0	23.0%	7.6%
Investments in associates	42.5	0.0%	-	x	x
Property, plant and equipment and intangible assets	3,975.8	1.6%	3,686.7	1.6%	7.8%
Other assets	6,835.8	2.8%	8,607.1	3.7%	(20.6%)
Total assets	243,093.1	100.0%	235,303.7	100.0%	3.3%

(*) Including net investments in financial leases to banks.

(**) Including net investments in financial leases to customers and non-treasury debt securities.

(***) Including financial assets held for trading, other financial instruments at fair value through profit and loss and excluding non-treasury debt securities.

EQUITY AND LIABILITIES	30.06.2021		30.06.2020		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Amounts due to Central Bank	-	0.0%	-	0.0%	x
Amounts due to other banks	7,833.6	3.2%	7,719.6	3.3%	1.5%
Amounts due to customers	192,069.1	79.0%	184,098.5	78.2%	4.3%
Debt securities issued	5,113.6	2.1%	5,038.4	2.1%	1.5%
Subordinated liabilities	2,757.8	1.1%	2,759.5	1.2%	(0.1%)
Lease liabilities	393.1	0.2%	450.6	0.2%	(12.8%)
Other liabilities	9,361.2	3.9%	10,558.2	4.5%	(11.3%)
Total equity, including non-controlling interests	25,564.7	10.5%	24,678.9	10.5%	3.6%
	11.2	0.0%	11.0	0.0%	1.8%
Total equity and liabilities	243,093.1	100.0%	235,303.7	100.0%	3.3%

Customers' Financing
Customer structure of loans and advances

(in PLN million)

	30.06.2021	30.06.2020	CHANGE
Loans and advances at nominal value ^(*)	168,976.4	158,304.8	6.7%
Loans and investments in financial leases	159,226.2	148,369.7	7.3%
Retail	80,926.9	78,434.7	3.2%
Corporate	78,299.3	69,935.0	12.0%
Non-treasury debt securities	9,750.2	9,935.1	(1.9%)
Other ^(**)	1,888.4	1,222.0	54.5%
Impairment allowances	(7,689.9)	(7,085.7)	8.5%
Total net receivables	163,174.9	152,441.1	7.0%
Reverse repo transactions	990.0	950.9	4.1%
Total Customers' financing ^(***)	169,966.4	159,255.7	6.7%

(*) Excluding reverse repo transactions.

(**) Including interest and receivables in transit.

(***) Total customers' financing includes loans and advances at nominal value, securities issued by non-monetary entities and reverse repo transactions.

As at the end of June 2021, loans and advances at nominal value amounted to PLN 168,976.4 million, an increase of PLN 10,671.6 million, i.e. 6.7% in comparison to the end of June 2020.

As at the end of June 2021, the volume of retail loans amounted to PLN 80,926.9 million, an increase of PLN 2,492.2 million, i.e. 3.2% in comparison to the end of June 2020, thanks to dynamic growth of PLN mortgage loans by 6.0% y/y.

As at the end of June 2021, corporate loans and non-treasury debt securities amounted to PLN 88,049.5 million, an increase of PLN 8,179.4 million, i.e. 10.2% in comparison to the end of June 2020, however with the growth in the segment of enterprises (13.3% y/y) and leasing receivables.

Receivables and impairment losses^(*)

(in PLN million)

	30.06.2021	30.06.2020	CHANGE
Gross receivables	170,864.8	159,526.8	7.1%
Stage 1	133,113.3	125,431.3	6.1%
Stage 2	27,714.0	25,531.2	8.5%
Stage 3	10,037.5	8,564.3	17.2%
Impairment allowances	(7,689.9)	(7,085.7)	8.5%
Stage 1	(465.7)	(424.9)	9.6%
Stage 2	(1,206.5)	(909.6)	32.6%
Stage 3	(6,017.7)	(5,751.2)	4.6%
Total net receivables	163,174.9	152,441.1	7.0%

(*) Including net investments in financial leases to customers, non-treasury debt securities, interest and receivables in transit and excluding reverse repo transactions.

As at the end of June 2021 the ratio of impaired receivables (stage 3) to the gross receivables amounted to 5.9%.

Loans and advances to customers by currency^(*)

	30.06.2021		30.06.2020		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Denominated in PLN	140,664.2	82.3%	130,199.6	81.6%	8.0%
Denominated in foreign currencies ^(**)	30,200.6	17.7%	29,327.2	18.4%	3.0%
Total	170,864.8	100.0%	159,526.8	100.0%	7.1%
Impairment allowances	(7,689.9)	x	(7,085.7)	x	8.5%
Total net	163,174.9	x	152,441.1	x	7.0%

^(*) Including net investments in financial leases to customers, non-treasury debt securities, interest and receivables in transit and excluding reverse repo transactions.

^(**) Including indexed loans.

The currency structure of loans and advances to customers is dominated by amounts expressed in the Polish zloty, as at the end of June 2021, their share was 82.3%. The largest portion of foreign currency loans and advances to customers were represented by those denominated in EUR (84.3%), CHF (9.1%) and USD (4.9%).

Loans and advances to customers by contractual maturities ^(*)

	30.06.2021		30.06.2020		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current and up to 1 month	15,029.8	8.8%	15,335.2	9.6%	(2.0%)
1 to 3 months	7,026.7	4.1%	5,927.9	3.7%	18.5%
3 months to 1 year	19,388.0	11.3%	15,042.5	9.4%	28.9%
1 to 5 years	59,817.1	35.0%	54,610.1	34.2%	9.5%
Over 5 years	63,357.7	37.1%	63,040.9	39.5%	0.5%
Past due	4,357.1	2.6%	4,348.2	2.7%	0.2%
Other	1,888.4	1.1%	1,222.0	0.8%	54.5%
Total	170,864.8	100.0%	159,526.8	100.0%	7.1%
Impairment allowances	(7,689.9)	x	(7,085.7)	x	8.5%
Total net	163,174.9	x	152,441.1	x	7.0%

^(*) Including net investments in financial leases to customers, non-treasury debt securities, interest and receivables in transit and excluding reverse repo transactions.

As at the end of June 2021, loans and advances with maturity over 5 years represents 37.1% of total loans and advances (mainly attributed to mortgage loans, investment loans, and non-treasury debt securities).

Information on loan concentration is included in the Note to the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the first half of 2021.

External sources of financing

(in PLN million)

	30.06.2021	30.06.2020	CHANGE
Amounts due to Central Bank	-	-	x
Amounts due to other banks	7,833.6	7,719.6	1.5%
Amounts due to customers	192,069.1	184,098.5	4.3%
Debt securities issued	5,113.6	5,038.4	1.5%
Subordinated liabilities	2,757.8	2,759.5	(0.1%)
Total external sources of financing	207,774.1	199,616.0	4.1%

Amounts due to customers amounted to PLN 192 069,1 million, an increase by 4.3% to significant extent contributed to dynamic increase in loans.

The deposit base is widely diversified and is sourced from retail and corporate customers. In addition, the Group uses also funds borrowed on the interbank market. The Group is not dependent on any single customer nor group of customers.

Amounts due to customers and debt securities issued

(in PLN million)

	30.06.2021	30.06.2020	CHANGE
Corporate deposits	76,841.9	83,693.8	(8.2%)
Non-financial entities	54,564.5	61,672.0	(11.5%)
Non-banking financial entities	5,153.8	5,573.3	(7.5%)
Budget entities	17,123.6	16,448.5	4.1%
Retail deposits	114,743.0	99,969.5	14.8%
Other (*)	484.2	435.2	11.3%
Amounts due to customers(**)	192,069.1	184,098.5	4.3%
Debt securities issued, of which	7,871.4	7,797.9	0.9%
Structured Certificates of Deposit (SCD)	48.4	935.5	(94.8%)
Certificates of Deposit (CD)	0.0	457.0	x
Subordinated bonds	2,750.0	2,750.0	x
Pekao Bank Hipoteczny S.A. covered bonds	1,270.3	1,429.8	(11.2%)
Pekao Bank Hipoteczny S.A. bonds	155.9	215.7	(27.7%)
Pekao Leasing Sp. z o.o. bonds	2,127.1	1,360.5	56.3%
Pekao Faktoring Sp. z o.o. bonds	1,509.2	626.7	140.8%
Interest	10.5	22.7	(53.7%)
Amounts due to customers and debt securities issued (**)	199,940.5	191,896.4	4.2%
Lease liabilities	393.1	450.6	(12.8%)
Amounts due to customers and debt securities issued, total (***)	200,333.5	192,347.0	4.2%
Investment funds of Pekao TFI S.A. (ex. Pioneer Pekao TFI)	21,421.6	17,389.2	23.2%
Bond and money market funds	16,222.6	13,920.1	16.5%
Balanced funds	2,881.3	1,931.8	49.2%
Equity funds	2,123.3	1,494.5	42.1%
PPK	194.4	42.7	>100%
including distributed through the Group's network	20,716.2	17,024.8	21.7%

(*) Other item includes interest and funds in transit.

(**) Excluding repo transactions and lease liabilities.

(***) Including repo transactions and lease liabilities.

As at the end of June 2021, amounts due to the Group's customers and debt securities issued amounted to PLN 199,940.5 million, an increase of PLN 8,044.1 million, i.e. 4.2% in comparison to the end of June 2020.

The total volume of retail deposits, Structured Certificates of Deposit and other amounted to PLN 115,206.9 million as at the end of June 2021, an increase of PLN 13,889.2 million, i.e. 13.7% in comparison to the end of June 2020 and they increased their share in the structure of financing.

The total volume of corporate deposits, Certificates of Deposit, Subordinated bonds, Pekao Bank Hipoteczny S.A. covered bonds and bonds, Pekao Leasing Sp. z o.o. bonds, Pekao Faktoring Sp. z o.o. bonds interest and other amounted to PLN 84, 733.6 million as at the end June 2021, an decrease of PLN 5,845.1 million, i.e. 6.5% as compared to the end of June 2020.

The value of net assets of investment funds managed by Pekao TFI S.A. amounted to PLN 21,421.6 million as at the end of June 2021, an increase of PLN 4,032.4 million, i.e. 23.2% in comparison to the end of June 2020.

Amounts due to customers by currency ^(*)

	30.06.2021		30.06.2020		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Denominated in PLN	160,756.6	83.7%	148,702.6	80.8%	8.1%
Denominated in foreign currencies	31,312.5	16.3%	35,395.8	19.2%	(11.5%)
Total	192,069.1	100.0%	184,098.5	100.0%	4.3%

^(*) Including interest and amounts due in transit and excluding repo transactions and lease liabilities.

The bulk of the amounts due to customers are denominated in the Polish currency and its share as at the end of June 2021 amounted to 83.7.0%. The majority of amounts due to customers denominated in foreign currencies were in EUR (64.0%) and USD (29.7%).

Amounts due to customers by contractual maturities ^(*)

	30.06.2021		30.06.2020		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current accounts and overnight deposits	175,493.0	91.6%	150,974.7	82.2%	16.2%
Term deposits	16,091.9	8.4%	32,688.6	17.8%	(50.8%)
Total deposits	191,584.8	100.0%	183,663.3	100.0%	4.3%
Interest accrued	4.3	x	129.3	x	(96.7%)
Funds in transit	480.0	x	305.8	x	57.0%
Total	192,069.1	x	184,098.5	x	4.3%

^(*) Excluding repo transactions and lease liabilities.

8.5 Provisions, deferred tax assets and liabilities

(in PLN million)

	GROUP		BANK PEKAO S.A.	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
Total provisions	907.9	946.0	947.7	984.9
of which:				
provisions for off-balance sheet commitments	328.1	385.2	387.4	436.0
provisions for liabilities to employees	407.1	453.1	398.4	445.6
other provisions	172.7	107.7	161.9	103.3
Deferred tax liabilities	26.6	28.9	-	-
Deferred tax assets	1,415.8	1,177.5	1 105.1	860.7

8.6 Off-balance sheet items

Statement of Off-balance sheet items

(in PLN million)

	30.06.2021	30.06.2020	CHANGE
Contingent liabilities granted and received	76,787.8	70,218.3	9.4%
Liabilities granted:	54,894.6	51,296.6	7.0%
financial	41,284.5	38,505.1	7.2%
guarantees	13,610.1	12,791.5	6.4%
Liabilities received:	21,893.2	18,921.7	15.7%
financial	1,524.8	1,328.4	14.8%
guarantees	20,368.4	17,593.3	15.8%
Derivative financial instruments	404,445.4	407,065.3	(0.6%)
interest rate transactions	267,736.0	267,834.7	(0.0%)
transactions in foreign currency and in gold	132,219.7	135,052.7	(2.1%)
transactions based on commodities and equity securities	4,489.7	4,177.9	7.5%
Total off-balance sheet items	481,233.1	477,283.6	0.8%

Information on loan concentration is included in the Notes to the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the first half of 2021.

8.7 Capital adequacy

Capital ratios are the basic measure applied for the measurement of capital adequacy according to Regulation of the European Parliament and of the Council (EU) No 575/2013 of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, which entered into force since January 1, 2014 together with further amendments, in particular Regulation of the European Parliament and of the Council (EU) 2019/876 of May 20, 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012 and Regulation of the European Parliament and of the Council (EU) No 2020/873 of June 24, 2020, amending Regulations (EU) No 575/2013 and (EU) 2019/876 for adjustments in response to the COVID-19 pandemic, as well as relevant Implementing or Delegated Regulations issued by the Commission (EU) (CRR Regulation).

Capital ratios, capital requirements and own funds have been calculated in accordance with the above mentioned CRR Regulation using national options defined in article 171a of The Banking Act, Act of 5 August 2015 on macro-prudential supervision over financial system and crisis management in financial system (Act on macro-prudential supervision), as well as regulations of minister in charge of the finance.

According to law, Group is required to maintain minimal values of capital ratios resulting from Pillar I level (CRR Regulation), capital requirement of Pillar II resulting from The Banking Act and combined buffer requirement resulting from Act on macro-prudential supervision.

Minimal value of capital ratios on Pillar I level are:

- Total capital ratio (TCR) in amount of 8%,
- Tier I capital ratio (T1) in amount of 6%,
- Common Equity Tier I capital ratio (CET 1) in amount of 4.5%.

Capital requirement of Pillar II for Pekao Group, results from the recommendation of KNF regarding holding by the Group own funds to cover the additional capital requirement to secure the risk resulting from mortgage-secured foreign currency loans and credits to households, amounts to 0.008% for TCR, which should consist of at least 75% of Tier 1 (which corresponds to 0.006 pp) and at least 56% of the Common Equity Tier 1 (which corresponds to 0.004 pp).

Combined buffer requirement consists of:

- Capital conservation buffer in amount of 2.50%,
- Countercyclical capital buffer in amount of 0.01%¹,
- Other systemically important institution buffer in amount of 0.75%,
- Systemic risk buffer in amount of 0.00%².

In total, Group is required to maintain:

- Total capital ratio (TCR) in amount of 11.26%,
- Capital ratio Tier I (T1) in amount of 9.26%,
- Common Equity Tier (CET 1) in amount of 7.76%.

As of June 30, 2021 for Pekao Group, total capital ratio amounted to 18.1% and Tier I ratio amounted to 16.2% The capital ratios were significantly above the minimum required by the law.

¹ Countercyclical capital buffer was calculated as of 30.06.2021 at the level 0.0061%.

² According to Minister of Finance's regulation the systematic risk buffer was abolished as of March 19, 2020. The systemic risk buffer rate before abolition amounted to 3% of the total risk exposure amount for all exposures located only on the territory of the Republic of Poland.

The table below presents the basic information concerning the Group capital adequacy as of 30 June, 2021, 31 December, 2020 and 30 June, 2020.

(in PLN thousand)

CAPITAL REQUIREMENT	30.06.2021	31.12.2020^(*)	30.06.2020^(*)
(Credit risk)	10,313,933	10,103,020	10,250,395
Market risk	92,757	99,400	91,879
Counterparty credit risk including CVA	241,257	173,859	168,605
Operational risk	795,825	699,703	628,218
Total capital requirement	11,443,772	11,075,982	11,139,097
OWN FUNDS			
Common Equity Tier I Capital	23,211,076	23,769,613	22,844,906
Tier II Capital	2,750,000	2,750,000	2,750,000
Own funds for total capital ratio	25,961,076	26,519,613	25,594,906
Common Equity Tier I Capital ratio (%)	16.2%	17.2%	16.4%
Total capital ratio TCR (%)	18.1%	19.2%	18.4%

^(*) Data for December 31, 2020 and June 30, 2020 have been recalculated taking into account the retrospective recognition of part of the profit for 2020 (confirmation of the financial results by the General Shareholders Meeting) and the first half of 2020 (after the approval of the KNF), in accordance with the EBA position expressed in Q&A 2018_3822 and Q&A 2018_4085.

Level of Group Total Capital Ratio at the end of June 2021 was lower by 0.3 p.p. compared to the end of June 2020 mainly due to higher capital requirements by 2.7% partially compensated by higher own funds by 1.4% .

Increase in own funds for total capital ratio calculation resulted mainly from retention of 25% of Bank's net profit for year 2020 in Tier I capital after General Shareholders Meeting.

Total capital requirement increased mainly due to increase of operational risk due to increased provisions for foreign currency denominated mortgage loans and increase of capital requirements for counterparty credit risk resulting from implementation of new Standardized Approach SA CCR.

EU-Wide Stress Test Results

The European Banking Authority ("EBA") published on 30 July 2021 the results of the stress tests covering the European Union ("EBA stress tests"). In this year's test, Bank Pekao proved to be the second most resilient European bank out of the 50 sampled (according to the sensitivity of T1 fully loaded capital criterion), with the stress sensitivity of capital ratios almost five times below the average of European banks. In the previous EBA tests from November 2018, Bank Pekao was on third position. We are proud of these results as they are the culmination of many years of consistent work, a responsible approach to business development and building long-term shareholder value.

The EBA stress tests are cyclical test of European banks, intended to serve as an important source of information for the supervisory review and evaluation process. Their aim is to help competent authorities assess the ability to meet prudential requirements under stress scenarios by the banks. In Poland, two banks were taking part in EBA stress tests, including Bank Pekao.

The adverse stress scenario was set by the ECB/ESRB and covers a three-year time horizon (2021-2023). The tests do not have a threshold to determine their passing, instead they are intended to serve as an important source of information for the supervisory review and evaluation process (SREP). The results will assist the competent authorities in assessing the Bank's ability to meet relevant prudential requirements under stress scenarios.

The stress test was conducted assuming a static balance sheet as of December 2020, and therefore does not take into account future business strategies and management actions. The stress test results presented do not represent a forecast of the Bank's profits.

According to this year's stress test results, Bank Pekao's consolidated Common Equity Tier 1 (CET1) capital ratio would be 17.7 per cent in 2023 in the base case scenario with a 3-year profit of PLN 5.0 billion and 15.4 per cent in the stress case scenario with a 3-year profit of PLN 2.2 billion. Both significantly above the levels required by the regulator and the target capital ratios.

8.8 Reconciliation of income statement – presentation form and long form

Consolidated income statement for the first half of 2021

INCOME STATEMENT – PRESENTATION FORM'S ITEMS	LONG FORM'S ITEMS RECLASSIFIED TO PRESENTATION FORM	1 HALF OF 2021
Net interest income	Net interest income	2,673,051
Net fee and commission income	Net fee and commission income	1,288,617
Dividend income	Dividend income	25,597
Trading result	-	129,819
	Net result on other financial instruments at fair value through profit and loss	93,166
	Result on fair value hedge accounting	2,646
	(Gains) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	34,007
Net other operating income and expenses	Net other operating income and expenses	15,592
	Operating income	46,681
	Operating expenses	(31,089)
Net non-interest income	-	1,459,625
Operating income	-	4,132,676
Operating costs	-	(1,983,145)
	Personnel expenses	(1,179,009)
	Other administrative expenses	(1,071,907)
	less – Bank Guarantee Fund fee	232,218
	less – Tax on certain financial institutions	353,156
	Depreciation and amortization	(317,603)
Gross operating profit	-	2,149,531
Net allowances for expected credit losses	Net allowances for expected credit losses	(367,933)
Net operating profit	-	1,781,598
Bank Guarantee Fund fee	Bank Guarantee Fund fee	(232,218)
Tax on certain financial institutions	Tax on certain financial institutions	(353,156)
Gains (losses) on associates	-	355
Profit before income tax	Profit before income tax	1,196,579
Income tax expense	Income tax expense	(345,125)
Net profit for the period	Net profit for the period	851,454
Attributable to equity holders of the Bank	Attributable to equity holders of the Bank	850,428
Attributable to non-controlling interest	Attributable to non-controlling interest	1,026

Consolidated income statement for the first half of 2020

INCOME STATEMENT – PRESENTATION FORM'S ITEMS	LONG FORM'S ITEMS RECLASSIFIED TO PRESENTATION FORM	1 HALF OF 2020
Net interest income	Net interest income	<u>2,793,799</u>
Net fee and commission income	Net fee and commission income	<u>1,182,241</u>
Dividend income	Dividend income	26,003
Trading result	-	<u>104,398</u>
	Net result on other financial instruments at fair value through profit and loss	60,975
	Result on fair value hedge accounting	(752)
	(Gains) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	44,175
Net other operating income and expenses	Net other operating income and expenses	<u>(8,666)</u>
	Operating income	<u>35,682</u>
	Operating expenses	<u>(44,348)</u>
Net non-interest income	-	1,303,976
Operating income	-	4,097,775
Operating costs	-	<u>(1,831,340)</u>
	Personnel expenses	(1,107,513)
	Other administrative expenses	(1,085,721)
	less – Bank Guarantee Fund fee	293,784
	less – Tax on certain financial institutions	326,349
	Depreciation and amortization	(258,239)
Gross operating profit	-	2,266,435
Net allowances for expected credit losses	Net allowances for expected credit losses	<u>(804,920)</u>
Net operating profit	-	1,461,515
Bank Guarantee Fund fee	Bank Guarantee Fund fee	(293,784)
Tax on certain financial institutions	Tax on certain financial institutions	(326,349)
Profit before income tax	Profit before income tax	841,382
Income tax expense	Income tax expense	<u>(294,475)</u>
Net profit for the period	Net profit for the period	546,907
Attributable to equity holders of the Bank	Attributable to equity holders of the Bank	546,049
Attributable to non-controlling interest	Attributable to non-controlling interest	858

9. Quarterly Income Statement

9.1 Consolidated income statement – long form

Consolidated income statement for 2021 and 2020 - Provided for comparability purposes.

(in PLN thousand)

	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Interest income	1,364,910	1,404,779	1,277,205	1,307,670	1,547,044	1,717,440
Interest income calculated using the effective interest method	1,296,270	1,336,590	1,225,600	1,248,391	1,478,805	1,658,059
Financial assets measured at amortised cost	1,180,899	1,191,489	1,076,910	1,091,978	1,314,397	1,499,810
Financial assets measured at fair value through other comprehensive income	115,371	145,101	148,690	156,413	164,408	158,249
Other interest income related to financial assets measured at fair value through profit or loss	68,640	68,189	51,605	59,279	68,239	59,381
Interest expense	(25,458)	(71,180)	(72,044)	(104,618)	(181,496)	(289,189)
Net interest income	1,339,452	1,333,599	1,205,161	1,203,052	1,365,548	1,428,251
Fee and commission income	800,788	736,798	794,163	714,908	676,929	719,266
Fee and commission expense	(128,034)	(120,935)	(137,863)	(119,799)	(109,082)	(104,872)
Net fee and commission income	672,754	615,863	656,300	595,109	567,847	614,394
Dividend income	25,597	-	7	268	25,748	255
Result on financial assets and liabilities measured at fair value through profit or loss and foreign exchange result	64,559	28,607	83,386	26,178	50,703	10,272
Result on fair value hedge accounting	847	1,799	22	(117)	992	(1,744)
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	23,194	10,813	12,285	4,672	23,049	21,126
Net allowances for expected credit losses	(191,900)	(176,033)	(496,153)	(277,387)	(474,010)	(330,910)
Operating income	27,944	18,737	16,062	16,436	16,490	19,192
Operating expenses	(21,905)	(9,184)	(81,337)	(22,426)	(24,369)	(19,979)
Administrative expenses	(985,347)	(1,265,569)	(898,960)	(878,213)	(909,932)	(1,283,302)
Personnel expenses	(532,478)	(646,531)	(473,175)	(459,178)	(489,277)	(618,236)
Other administrative expenses	(452,869)	(619,038)	(425,785)	(419,035)	(420,655)	(665,066)
Depreciation and amortization	(160,520)	(157,083)	(141,329)	(139,383)	(134,704)	(123,535)
Gains (losses) on associates	355	-	-	-	-	-
PROFIT BEFORE INCOME TAX	795,030	401,549	355,444	528,189	507,362	334,020
Income tax expense	(189,672)	(155,453)	(170,550)	(157,089)	(147,906)	(146,569)
NET PROFIT	605,358	246,096	184,894	371,100	359,456	187,451
Attributable to equity holders of the Bank	604,780	245,648	184,812	370,851	359,151	186,898
Attributable to non-controlling interests	578	448	82	249	305	553

(*) Other administrative expenses includes tax on certain financial institutions and Bank Guarantee Fund fee.

9.2 Consolidated statement of comprehensive income

Consolidated statement of comprehensive income for 2021 and 2020

(in PLN thousand)

	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Net profit	605,358	246,096	184,894	371,100	359,456	187,451
Other comprehensive income						
Item that are or may be reclassified subsequently to profit or loss:						
Change in fair value of financial assets measured at fair value through other comprehensive income:						
Profit or loss on fair value measurement	(339,051)	(248,072)	196,774	124,982	525,077	(161,105)
Profit or loss reclassification to income statement after derecognition	(318,239)	(240,436)	201,032	130,304	548,841	(147,666)
Change in fair value of cash flow hedges	(20,812)	(7,636)	(4,258)	(5,322)	(23,764)	(13,439)
Tax on items that are or may be reclassified subsequently to profit or loss	(123,581)	(335,520)	(71,505)	4,332	118,954	414,935
Items that will never be reclassified to profit or loss:						
Effects of the revaluation or sale of investments in equity instruments designated at fair value through other comprehensive	87,900	110,883	(23,800)	(24,570)	(122,366)	(48,228)
Remeasurements of the defined benefit liabilities	38,595	44,385	84,005	(6,572)	21,880	(11,233)
Tax on items that will never be reclassified to profit or loss	-	-	(10,672)	(292)	-	-
Other comprehensive income (net of tax)	(343,470)	(436,757)	160,924	99,129	539,388	196,503
Total comprehensive income	261,888	(190,661)	345,818	470,229	898,844	383,954
Attributable to equity holders of the Bank	261,310	(191,109)	345,745	469,980	898,539	383,401
Attributable to non-controlling interests	578	448	73	249	305	553

9.3 Consolidated income statement – presentation form

Consolidated income statement for 2021 and 2020

(in PLN thousand)

	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Net interest income	1,339,452	1,333,599	1,205,161	1,203,052	1,365,548	1,428,251
Net fee and commission income	672,754	615,863	656,300	595,109	567,847	614,394
Dividend income	25,597	-	7	268	25,748	255
Trading result	88,600	41,219	95,693	30,733	74,744	29,654
Net other operating income and expenses	6,039	9,553	(65,275)	(5,990)	(7,879)	(787)
Net non-interest income	792,990	666,635	686,725	620,120	660,460	643,516
Operating income	2,132,442	2,000,234	1,891,886	1,823,172	2,026,008	2,071,767
Operating costs	(939,310)	(1,043,835)	(830,682)	(805,887)	(831,712)	(999,628)
Gross operating profit	1,193,132	956,399	1,061,204	1,017,285	1,194,296	1,072,139
Net allowances for expected credit losses	(191,900)	(176,033)	(496,153)	(277,387)	(474,010)	(330,910)
Net operating profit	1,001,232	780,366	565,051	739,898	720,286	741,229
Bank Guarantee Fund fee	(28,861)	(203,357)	(43,913)	(43,162)	(43,081)	(250,703)
Tax on certain financial institutions	(177,696)	(175,460)	(165,694)	(168,547)	(169,843)	(156,506)
Gains (losses) on associates	355	-	-	-	-	-
Profit before income tax	795,030	401,549	355,444	528,189	507,362	334,020
Income tax expense	(189,672)	(155,453)	(170,550)	(157,089)	(147,906)	(146,569)
Net profit	605,358	246,096	184,894	371,100	359,456	187,451
Attributable to equity holders of the Bank	604,780	245,648	184,812	370,851	359,151	186,898
Attributable to non-controlling interest	578	448	82	249	305	553

10. Other Information

10.1 Management Board position regarding the possibility of achieving previously published forecasts

The Bank has not published the forecast of the financial results for 2021.

10.2 Shares in the Bank and related entities held by the Bank's Directors

According to information available to the Bank, as at the date of submitting of Report on the activities of Bank Pekao S.A. Group for the first half of 2021 and as at the date of submitting of Report on the activities of Bank Pekao S.A. Group for the first quarter of 2021, the Members of the Bank's management and supervisory bodies did not held shares of Bank Pekao S.A.

10.3 Pending litigations

Information on significant legal proceedings pending before courts, arbitration bodies or public administration authorities in respect of liabilities and receivables of the Bank and its subsidiaries is included in Note 37 to the Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the first half of 2021.

10.4 Information on derivative financial instruments and hedge accounting

Information on derivative financial instruments and hedge accounting is included in Note 27 and 31 to the Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the first half of 2021.

10.5 Related party transactions

In the first half of 2021, the Bank and its subsidiaries have not concluded any significant transactions (single or aggregate) with related entities other than those executed on arm's length.

In the first half of 2021, the Bank and its subsidiaries did not provide any sureties in respect of loans or advances or did not provide any guarantees to an entity or a subsidiary of such entity, which the total value would be significant.

Detailed information on related party transactions is included in Note 39 to the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the first half of 2021.

10.6 Accounting principles adopted in the preparation of the report

Accounting principles adopted in the preparation of the report are described in Note 5 to the Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the first half of 2021.

10.7 Seasonality or cyclical nature of the Bank's activity

The demand for the financial services offered by the Bank is stable with no material impact of seasonal changes. Due to the nature of the Bank's activity, it is not subject to seasonal or cyclical changes.

10.8 Issuance, redemption and repayment of debt securities

Structured Certificates of Deposit

Structured Certificates of Deposit are investment products for the Bank's clients that form an alternative to traditional banks' deposits. The total value of the Bank's liabilities relating to these products amounted to PLN 48.4 (principal value) as at the end of June 2021. There is 2 issuances of Structured Certificates of Deposit open in PLN with the maximum maturity date on August 16, 2021.

Subordinated bonds

On 30 October 2017, the Bank issued 10 years subordinated bonds with a total nominal value of 1.25 PLN billion. The funds from the issue were designated – after receiving the approval of the Polish Financial Supervision Authority on 21 December 2017 – to increase the Bank's supplementary capital, pursuant to art. 127 para. 2 point 2 of the Banking Law and art. 63 of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. The bonds were introduced to trading on the ASO Catalyst market.

On 15 October 2018, the Bank issued 10 years subordinated bonds with a total nominal value of PLN 0.55 billion. The funds from the issue were designated – after receiving the approval of the Polish Financial Supervision Authority on 16 November 2018 – to increase the Bank's supplementary capital, pursuant to art. 127 para. 2 point 2 of the Banking Law and art. 63 of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. The bonds were introduced to trading on the ASO Catalyst market.

On 15 October 2018, the Bank issued 15 years subordinated bonds with a total nominal value of PLN 0.20 billion. The funds from the issue were designated – after receiving the approval of the Polish Financial Supervision Authority on 18 October 2018 – to increase the Bank's supplementary capital, pursuant to art. 127 para. 2 point 2 of the Banking Law and art. 63 of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. The bonds were introduced to trading on the ASO Catalyst market.

On 4 June 2019, the Bank issued 12 years subordinated bonds with a total nominal value of PLN 0.35 billion. The funds from the issue were designated – after receiving the approval of the Polish Financial Supervision Authority on 8 July 2019 – to increase the Bank's supplementary capital, pursuant to art. 127 para. 2 point 2 of the Banking Law and art. 63 of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. The bonds were introduced to trading on the ASO Catalyst market.

On 4 December 2019, the Bank issued 12 years subordinated bonds with a total nominal value of PLN 0.40 billion. The funds from the issue were designated – after receiving the approval of the Polish Financial Supervision Authority on 10 December 2019 – to increase the Bank's supplementary capital, pursuant to art. 127 para. 2 point 2 of the Banking Law and art. 63 of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. The bonds were introduced to trading on the ASO Catalyst market.

Pekao Bank Hipoteczny S.A. covered bonds

The total value of the company's liabilities due to covered bonds amounted to PLN 1,698.0 million (principal value) as at the end of June 2021. Liabilities from covered bonds with maturity up to 1 year account for 16.4%, up to 2 years account for 19.9%, up to 5 years account for 49.0%, up to 10 years account for 14.7% of the total nominal value.

Pekao Bank Hipoteczny S.A. bonds

The total value of the company's liabilities under bonds amounted to PLN 299.4 million (principal value) as of June 2021. The liabilities under covered bonds with maturity date up to 1 month.

Pekao Leasing Sp. z o.o. bonds

The total value of the company's liabilities under bonds amounted to PLN 3,860.1 million (principal value) as of 30 June 2021 with maturity date up to 3 months account for 37.5%, up to 6 months account for 41.4%, up to 1 year account for 21.1% of the total nominal value.

Pekao Faktoring Sp. z o.o. bonds

The total value of the company's liabilities under bonds with maturity date to 6 months amounted to PLN 3,158.5 million (principal value) as of 30 June 2021.

10.9 Information on dividend and appropriation of profit achieved

On 11 June 2021 the Ordinary General Meeting of the Bank adopted the resolution on the distribution of profit of the Bank for the year 2020 (the "Resolution on the Distribution of Profit"). The Resolution on the Distribution of Profit provides that the distribution of the Bank's net profit for 2020 will take place in one of four manners, depending on the fulfilment or non-fulfilment of individual dividend payment conditions (the "Dividend Payment Conditions"), making the payment of the dividend conditional on: (i) the position of the Polish Financial Supervision Authority (the "PFSA") regarding the dividend policy of commercial banks in the second half of 2021 (the: "PFSA's Position") and the supervisory recommendation of the PFSA regarding the Bank's dividend policy in the second half of 2021 (the: "PFSA's Recommendation").

Dividend Payment Conditions

The Resolution on the Distribution of Profit defines three Dividend Payment Conditions:

1) 75% Dividend Payment Condition – the condition will be met if the PFSA's Position and the PFSA's Recommendation will allow to allocate to dividend – from the Bank's net profit for 2020 – at least the amount of PLN 842,528,809.14, that is at least 74.8% of the Bank's net profit for 2020,

2) 50% Dividend Payment Condition – the condition will be met if the PFSA's Position and the PFSA's Recommendation will allow to allocate to dividend – from the Bank's net profit for 2020 – at least the amount of PLN 561,685,872.76, that is at least 49.9% of the Bank's net profit for 2020, but lower than the amount of PLN 842,528,809.14, that is lower than 74.8% of the Bank's net profit for 2020,

3) 25% Dividend Payment Condition – the condition will be met if the PFSA's Position and the PFSA's Recommendation will allow to allocate to dividend – from the Bank's net profit for 2020 – at least the amount of PLN 280,842,936.38, that is at least 24.9% of the Bank's net profit for 2020, but lower than the amount of PLN 561,685,872.76, that is lower than 49.9% of the Bank's net profit for 2020.

Manners of Bank's 2020 net profit distribution

I. Provided that the 75% Dividend Payment Condition is met the Bank's net profit for 2020 in the amount of PLN 1,126,424,269.10 will be distributed in the following manner:

- 1) 74.8% of the Bank's net profit for 2020, i.e. the amount of PLN 842,528,809.14, shall be allocated to dividend,
- 2) the amount of PLN 283,895,459.96 shall be allocated to the reserve capital.

Provided that the 75% Dividend Payment Condition is met, the amount of the dividend per share shall be PLN 3.21 gross.

II. Provided that the 50% Dividend Payment Condition is met the Bank's net profit for 2020 in the amount of PLN 1,126,424,269.10 will be distributed in the following manner:

- 1) 49.9% of the Bank's net profit for 2020, i.e. the amount of PLN 561,685,872.76, shall be allocated to dividend,
- 2) the amount of PLN 283,895,459.96 shall be allocated to the reserve capital,
- 3) the remaining part of the Bank's net profit for 2020 in the amount of PLN 280,842,936.38 shall be left undistributed.

Provided that the 50% Dividend Payment Condition is met, the amount of the dividend per share shall be PLN 2.14 gross.

III. Provided that the 25% Dividend Payment Condition is met the Bank's net profit for 2020 in the amount of PLN 1,126,424,269.10 will be distributed in the following manner:

- 1) 24.9% of the Bank's net profit for 2020, i.e. the amount of PLN 280,842,936.38, shall be allocated to dividend;
- 2) the amount of PLN 283,895,459.96 shall be allocated to the reserve capital;
- 3) the remaining part of the Bank's net profit for 2020 in the amount of PLN 561,685,872.76, shall be left undistributed.

Provided that the 25% Dividend Payment Condition is met, the amount of the dividend per share shall be PLN 1.07 gross.

IV. If none of the Dividend Payment Conditions are met (that is: 75% Dividend Payment Condition, 50% Dividend Payment Condition and 25% Dividend Payment Condition) the Bank's net profit for 2020 in the amount of PLN 1,126,424,269.10 will be distributed in the following manner:

- 1) the amount of PLN 283,895,459.96 shall be allocated to the reserve capital;
- 2) the remaining part of the Bank's net profit for 2020 in the amount of PLN 842,528,809.14 shall be left undistributed.

Confirmation of the fulfilment or non-fulfilment of individual Dividend Payment Conditions

According to the Resolution on the Distribution of Profit the Management Board of the Bank will adopt a resolution on the fulfilment or non-fulfilment of the individual Dividend Payment Conditions at the latest on 2 September 2021, and if the PFSA's Position and the PFSA's Recommendation are not issued by 31 August 2021 (inclusive) none of the Dividend Payment Conditions are met.

As provided in the Resolution on the Distribution of Profit the Bank immediately after adopting by the Management Board of the Bank the resolution on the fulfilment or non-fulfilment of the individual Dividend Payment Conditions will inform about its content in the form of a current report.

The dividend record day, the dividend payout date and the number of shares entitled to dividend

Provided that any of the Dividend Payment Conditions is met:

- 1) the date of the dividend record day is September 10, 2021,
- 2) the dividend payout date is September 29, 2021,
- 3) all shares issued by the Bank shall be entitled to dividend, that is 262 470 034 shares.

Dividend recommendation of the Polish Financial Supervision Authority and statement that the condition for dividend payment is fulfilled

On 16 July 2021 it received an individual recommendation of the Polish Financial Supervision Authority relating to the Bank's dividend policy in the second half of 2021 (the "PFSA Recommendation"). In accordance with the PFSA Recommendation, the Bank, as at 31 March 2021 (Bank's quarterly data on own funds) and as at 31 May 2021 (the Bank's monthly data on the receivables portfolio), in terms of the basic criteria of the dividend policy, met the requirements qualifying for the payment of up to 100% of the dividend from the Bank's profit generated in the period from 1 January 2020 to 31 December 2020. Additionally, the Polish Financial Supervision Authority recommended the Bank not taking, without prior consultation with the supervisory authority, other actions, in particular those outside the scope of its current business and operational activities, which could result in a reduction of its capital base, including possible dividend payments from undistributed profit from previous years (i.e. from 2019 and previous years) and share buybacks.

At the same time, with reference to current report No. 21/2021 dated 11 June 2021 concerning the resolution of the Ordinary General Meeting of the Bank on the distribution of the Bank's profit for 2020 (the "Profit Distribution Resolution") and current report No. 26/2021 dated 30 June 2021 concerning the supervisory letter informing about the position of the Polish Financial Supervision Authority on the dividend policy in the second half of 2021 and the results of the stress test mark-ups for the Bank, the Bank informs the public that on 16 July 2021 the Management Board of the Bank, pursuant to § 5 (1) of the Profit Sharing Resolution, adopted a resolution regarding the individual Dividend Conditions set out in the Profit Sharing Resolution (the "Board Resolution").

In the Board Resolution, the Management Board of the Bank stated that:

1. the 75% Dividend Payment Condition set out in the Profit Distribution Resolution has been fulfilled,
2. in connection with the fulfilment of the Dividend Payment Condition of 75%, the following have not been fulfilled: 50% Dividend Payment Condition and 25% Dividend Payment Condition set out in the Profit Distribution Resolution.

In view of the above, the method of distribution of the Bank's net profit for 2020 set out by the Ordinary General Meeting of the Bank in § 1 of the Profit Distribution Resolution applies, which means that:

1. 74.8% of the Bank's net profit for 2020, i.e. the amount of PLN 842,528,809.14, was allocated to dividends,
2. the amount of PLN 283,895,459.96 shall be allocated to reserve capital,
3. the amount of dividend per share is PLN 3.21 gross.

Pursuant to § 6 of the Profit Distribution Resolution, the dividend date falls on 10 September 2021 and the dividend payment date falls on 29 September 2021.

10.10 Subsequent events

Resignation of the Vice-President of the Management Board of the Bank

On 20 July 2021 Mr. Krzysztof Kozłowski resigned from the position of the Vice-President of the Management Board of the Bank as well as from the composition of the Management Board of the Bank, with the effect at the end of 3 August 2021.

EU-Wide Stress Test Results for Bank Polska Kasa Opieki S.A.

Bank was subject to the 2021 EU-wide stress test conducted by the European Banking Authority ("EBA"), in cooperation with the Polish Financial Supervision Authority, the European Central Bank ("ECB"), and the European Systemic Risk Board ("ESRB").

The Bank notes the announcements made on 30 July 2021 by the EBA on the EU-wide stress test and fully acknowledges the outcomes of this exercise.

The 2021 EU-wide stress test does not contain a pass fail threshold and instead is designed to be used as an important source of information for the purposes of the supervisory review and evaluation process (SREP). The results will assist competent authorities in assessing Bank's ability to meet applicable prudential requirements under stressed scenarios.

The adverse stress test scenario was set by the ECB/ESRB and covers a three-year time horizon (2021-2023). The stress test has been carried out applying a static balance sheet assumption as of December 2020, and therefore does not take into account future business strategies and management actions. It is not a forecast of Bank profits.

Based on the results of the exercise and under the supervisor's control, the Bank will take possible management actions for mitigating the impact under the adverse scenario; assess the impact of the results on Bank's forward looking capital plans and its capacity to meet applicable prudential requirements; and determine whether any additional measures or changes to the Bank's capital plan are needed.

According to the EU-wide stress test results, the Common Equity Tier 1 (CET1) ratio of Bank' Group would be in 2023 at the level of 17.74% under the baseline scenario and at 15.49% under the adverse scenario. CET1 ratio of Bank's Group reflecting the full IFRS9 effect would be at the level of 17.74% and 15.41% respectively.

11. Representations of the Bank's Management Board on reliability of the presented financial statements

The Management Board of Bank Pekao S.A. declares to the best of its knowledge that:

- the Condensed Interim Separate Financial Statements of Bank Pekao S.A. for the first half of 2021 and Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the first half of 2021 and comparative figures have been prepared in accordance with applicable accounting policies and that they reflect in a true, fair and clear manner the Bank's and the Group's financial position and their results,
- the Report on the activities of Bank Pekao S.A. Group for the first half of 2021 provides a true picture of Bank Pekao S.A. Group's development, achievements and situation, including the main threats and risks.

The Management Board of Bank Pekao S.A. declares that the registered audit company performing the review of the Condensed Interim Separate Financial Statements of Bank Pekao S.A. for the first half of 2021 and Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the first half of 2021 has been selected in pursuance of applicable provisions of law. The company and the registered auditors performing the review meet the requirements indispensable for issuing an objective and independent report on the review concerning condensed interim unconsolidated financial statements and condensed interim consolidated financial statements, in accordance with applicable provisions of law and professional standards.

03.08.2021 Date	Leszek Skiba Name/Surname	President of the Management Board Position/Function	Signature
03.08.2021 Date	Jarosław Fuchs Name/Surname	Vice President of the Management Board Position/Function	Signature
03.08.2021 Date	Marcin Gadomski Name/Surname	Vice President of the Management Board Position/Function	Signature
03.08.2021 Date	Krzysztof Kozłowski Name/Surname	Vice President of the Management Board Position/Function	Signature
03.08.2021 Date	Tomasz Kubiak Name/Surname	Vice President of the Management Board Position/Function	Signature
03.08.2021 Date	Jerzy Kwieciński Name/Surname	Vice President of the Management Board Position/Function	Signature
03.08.2021 Date	Błażej Szczecki Name/Surname	Vice President of the Management Board Position/Function	Signature
03.08.2021 Date	Wojciech Werochowski Name/Surname	Vice President of the Management Board Position/Function	Signature
03.08.2021 Date	Magdalena Zmitrowicz Name/Surname	Vice President of the Management Board Position/Function	Signature