

# Report on the activities of Bank Pekao S.A. Group for the first half of 2022



*This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.*

**Warsaw, August 2022**

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## 1. Highlights of Bank Pekao S.A. Group

	1 HALF 2022	1 HALF 2021	2021	2020
<b>INCOME STATEMENT – SELECTED ITEMS</b> <span style="float: right;"><i>(in PLN million)</i></span>				
Operating income	5,912	4,120	8,522	7,796
Operating costs	(2,064)	(1,971)	(3,739)	(3,451)
Profit before income tax	2,004	1,197	3,002	1,725
Net profit for the period attributable to equity holders of the Bank	1,375	850	2,175	1,102
<b>PROFITABILITY RATIOS</b>				
Return on average equity (ROE) - nominally	11.9%	6.7%	8.7%	4.5%
Return on assets (ROA)	1.0%	0.7%	0.9%	0.5%
Net interest margin	3.8%	2.3%	2.4%	2.5%
Cost / income (including BFG cost)	40.4%	53.6%	47.3%	49.2%
Costs of risk	0.74%	0.43%	0.45%	0.99%
<b>STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS</b> <span style="float: right;"><i>(in PLN million)</i></span>				
Total assets	277,568	243,093	250,567	233,217
Customers' financing <sup>(*)</sup>	172,308	163,175	169,073	151,684
Amounts due to customers <sup>(**)</sup>	200,939	192,069	194,804	177,745
Debt securities issued and subordinated liabilities	10,182	7,871	8,117	8,905
Equity	21,517	25,565	23,863	25,495
<b>STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS</b>				
Customers' financing <sup>(*)</sup> / total assets	62.1%	67.1%	67.5%	65.0%
Securities / total assets	19.6%	24.0%	22.9%	26.7%
Deposits <sup>(***)</sup> / total assets	76.1%	82.2%	81.0%	80.0%
Customers' financing <sup>(*)</sup> / deposits <sup>(***)</sup>	81.6%	81.6%	83.3%	81.3%
Equity / total assets	7.8%	10.5%	9.5%	10.9%
Total capital ratio	16.6%	18.4%	17.7%	19.2%
<b>EMPLOYEES AND NETWORK</b>				
Total number of employees <sup>(****)</sup>	14,708	15,540	14,702	14,994
Number of outlets	624	669	650	713
Number of ATMs	1,414	1,549	1,475	1,592

(\*) 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 2021 have been recalculated taking into account the retrospective recognition of part of the profit, in accordance with the EBA position expressed in Q&A 2018\_3822 and Q&A 2018\_4085.

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 8.8 of the Report on activities.

## 2. Highlights of Bank Pekao S.A.

	1 HALF 2022	1 HALF 2021	2021	2020
<b>INCOME STATEMENT – SELECTED ITEMS</b> <span style="float: right;"><i>(in PLN million)</i></span>				
Operating income	5,757	3,949	8,084	7,454
Operating costs	(1,912)	(1,824)	(3,438)	(3,169)
Profit before income tax	2,052	1,205	2,995	1,697
Net profit	1,461	891	2,237	1,126
<b>PROFITABILITY RATIOS</b>				
Return on average equity (ROE) - nominally	13.0%	7.3%	9.2%	4.8%
Return on assets (ROA)	1.2%	0.8%	0.9%	0.5%
Net interest margin	3.8%	2.3%	2.4%	2.5%
Cost / income (including BFG cost)	38.8%	52.2%	46.1%	47.7%
Costs of risk	0.73%	0.42%	0.41%	1.03%
<b>STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS</b> <span style="float: right;"><i>(in PLN million)</i></span>				
Total assets	268,659	233,282	241,275	222,381
Customers' financing <sup>(*)</sup>	161,106	151,346	157,783	139,926
Amounts due to customers <sup>(**)</sup>	201,240	192,340	195,064	178,276
Debt securities issued and subordinated liabilities	5,517	2,806	2,940	3,281
Equity	20,838	24,758	23,100	24,647
<b>STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS</b>				
Customers' financing <sup>(*)</sup> / total assets	60.0%	64.9%	65.4%	62.9%
Securities / total assets	20.7%	25.3%	24.2%	28.2%
Deposits <sup>(**)</sup> / total assets	77.0%	83.7%	82.1%	81.6%
Customers' financing <sup>(*)</sup> / deposits <sup>(**)</sup>	77.9%	77.6%	79.7%	77.1%
Equity / total assets	7.8%	10.6%	9.6%	11.1%
Total capital ratio	18.4%	20.6%	19.6%	21.3%
<b>EMPLOYEES AND NETWORK</b>				
Total number of employees <sup>(****)</sup>	12,605	13,389	12,661	12,870
Number of outlets	624	669	650	713
Number of ATMs	1,414	1,549	1,475	1,592

<sup>(\*)</sup> Including non-treasury debt securities and excluding reverse repo transactions.

<sup>(\*\*)</sup> Excluding repo transactions and lease liabilities.

<sup>(\*\*\*)</sup> Deposits include amounts due to customers, debt securities issued and subordinated liabilities.

<sup>(\*\*\*\*)</sup> Data for 2021 have been recalculated taking into account the retrospective recognition of part of the profit, in accordance with the EBA position expressed in Q&A 2018\_3822 and Q&A 2018\_4085.

### 3. Summary of Performance

In the first half of 2022, we generated the net profit of the Bank Pekao S.A. Capital Group, attributable to the Bank's shareholders in the amount of PLN 1,375.1 million. This result was higher by PLN 524.7 million than the result achieved in the first half of 2021, thanks to higher operating income, cost discipline with an increase in costs significantly below inflation, despite one-off events with a negative impact on the result, mainly the creation of a provision in the amount of PLN 440.3 million gross for a contribution to the newly created Institutional Protection Schemes (IPS) and update of the provision for legal risk related to foreign currency mortgage loans in the amount of PLN 419.3 million gross.

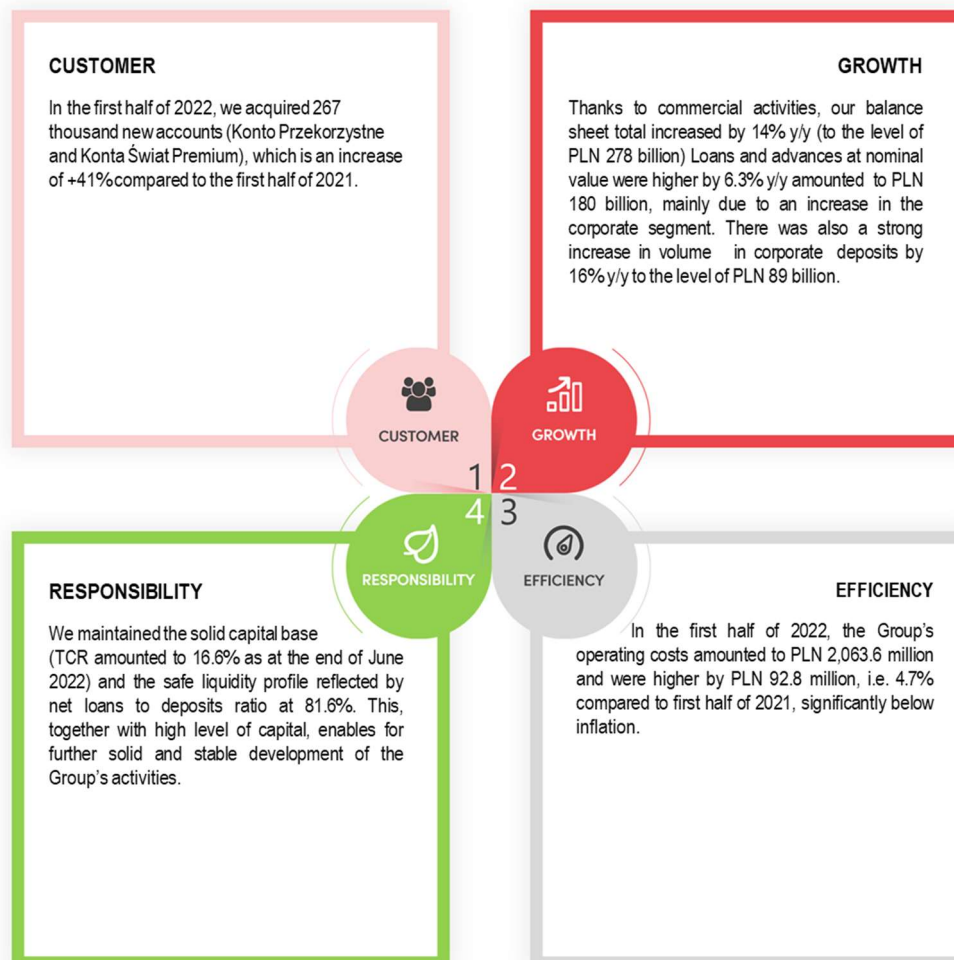
In the first half of 2022, ROE was at the level of 11.9%.

We increased the scale of our commercial activities, actively supporting clients' financial liquidity and focusing on further digitizing and automating processes, and implementing advanced digital solutions.

In order to meet the market situation and customer expectations, in the first half of 2022, we made a thorough change of the deposit offer for individual customers, including interest rate of 5.0% per annum on savings accounts (further increase in interest to 7.0% after June 30 this year), Rentier Deposit at 6.0% per annum for a period of 36 months, deposits in PeoPay with an interest rate of up to 5.0 % per annum (increase to 6.0%) and deposits with an investment product with an interest rate of up to 6.0% per annum for 12 months (increase to 7.0%).

In the first half of 2022, we supported the citizens of Ukraine in every possible way. We have prepared a special offer for individual and corporate clients. Bank Pekao S.A., Bank's Dr. Marian Kanton Foundation and the employees were involved in humanitarian aid and in supporting Ukraine and its citizens.

We focused our activities in the following key strategic areas (in accordance with the adopted Strategy for 2021-2024).



## 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 is a strong position among the most profitable and effective banks in Poland, including increasing the return on equity (ROE), reducing the cost-to-income ratio and increasing the number of active mobile banking customers.

In the near future, we will update our financial targets announced in the Strategy 2021-2024 in connection with changes in the economic environment and an increase in interest rates.

### Support for Ukrainian citizens

#### Business activities supporting Ukrainian citizens

In the first half of 2022, we supported the citizens of Ukraine in every possible way. We have prepared a special offer for individual and corporate clients. We have abolished fees for transfers from Poland to banks in Ukraine and from Ukraine to Poland - for transactions made by both individual and corporate clients.

Maintaining the Przekorzystne account for Ukrainian citizens is free, we have also abolished the fee for servicing the card to the account and for cash withdrawals made with it at ATMs in Poland and abroad. We also do not charge a margin or fees for currency exchange on transactions with the card abroad. We have simplified the procedure for opening an account for individual clients - all one needs is one document identifying a citizen of Ukraine, e.g. a passport.

We have prepared a wide offer for PLN 0 for Ukrainian entrepreneurs. We do not charge fees for company accounts, debit cards and we provide full and free cash service and electronic banking services. We have also introduced facilitations in the process of establishing business relations for companies from Ukraine.

For a long time, we have offered to individual clients the PeoPay mobile application and Pekao24 internet banking available in Ukrainian, as well as service in Ukrainian by consultants of the Bank's infoline.

#### Humanitarian aid activities for Ukrainian citizens

In the first half of 2022, in connection with the Russian aggression against Ukraine, the Bank, Bank's Dr. Marian Kanton Foundation and the employees were involved in humanitarian aid and supporting Ukraine and its citizens.

Foundation of Bank Pekao S.A. donated PLN 500 thousand to a special account of the Polish Red Cross, intended for the most urgent needs of refugees and PLN 250 thousand to Caritas Polska account for the current needs of refugees under the care of this organization.

The Bank's employees financially supported the collections intended to help children and foster families from Ukraine staying under the care of the SOS Children's Villages Association in Poland and for children and mothers under the care of the Children's Hospital at Niekańska street in Warsaw.

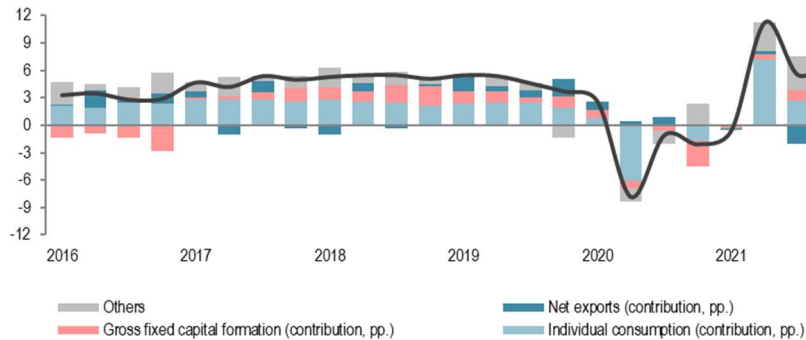
The bank also took direct care of 45 refugees who lived in one of the premises provided by Bank Pekao S.A.. Ongoing support and assistance in adapting to new conditions are provided to refugees by our volunteers - employees of the Bank.

Moreover, many of the Bank's employees have helped and still help in a direct way, accepting refugees at their homes, providing material and material support or acting as volunteers.

## 4. External Activity Conditions

### Economic growth

At first glance, economic growth in the first half of the year held at very high levels – in the first quarter Polish GDP rose by 8.5% yoy and in the subsequent three months it might have grown – according to the Bank's estimates – by ca. 6.0% yoy (with high uncertainty, though). In reality, the structure of economic growth in the first half of 2022 and the extent to which economic growth is set to slow down between Q1 and Q2 both indicate that an economic slowdown began in Poland. The bank judges that the aforementioned second quarter growth rate is consistent with GDP falling on a seasonally adjusted qoq basis.



Whether this will constitute the beginning of a technical recession (two consecutive quarters of GDP declines), time will tell. The precise sequence of GDP growth rates is a secondary matter, GDP is set to slow down visibly and considerably regardless. The Bank expects GDP to grow by 4.5% in 2022 and by 1.5% in 2023, however, the second number is subject to downside risks. There are several factors negative for economic growth: monetary tightening, weakness in household consumption due to a decline in real income over the short term, curtailment of private investment, slowdown in exports (especially to Western Europe) and the end to restocking that had boosted economic growth at the turn of 2021 and 2022. In addition, the energy crisis in Europe will have a negative impact on production capacity of industry.

### Inflation and monetary policy

CPI inflation strongly accelerated during the first half of the year, reaching 15.5% yoy in June. At that time, there was a strong increase in prices in non-basic categories (food, energy, fuels). The first panic shock after the war outbreak in Ukraine is slowly fading away. Prices of many agri-food and industrial goods have stopped growing dynamically, although, they still remain at elevated levels.

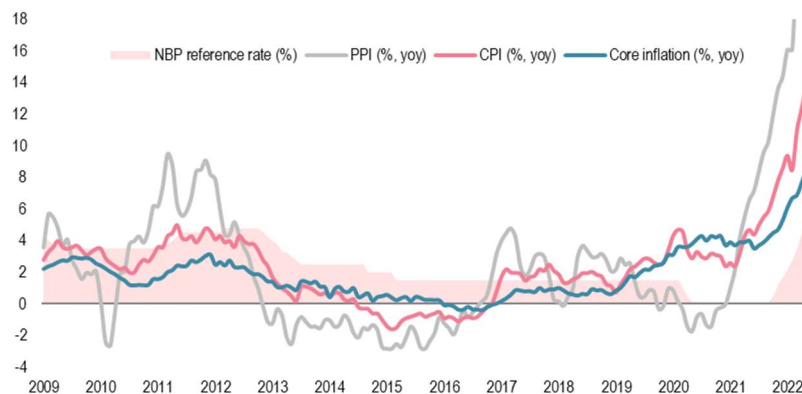
Compared to the previous year, food prices are already higher by almost 15% yoy. However, we expect a peak in food prices in the second half of the year. This year's harvest and agri-food products fertilized with expensive fertilizers will then go to the market. We will also feel the impact of limited supplies from the eastern border more strongly than. We assume that food prices may increase by above 18% yoy closer to the end of the year.

Compared to June last year, fuel prices have already increased by almost 47%. Looking ahead, due to the expected global downturn and lower demand, pressure on oil prices is declining. Brent oil price has just dropped to levels of around 100 USD per barrel. Moreover, repeated reports from China about tightening of Covid-19 restrictions, but also about the growing number of Covid cases from other countries, also have a disinflationary effect on oil prices.

In the second quarter, energy prices grew very strongly, mainly due to coal prices. This is the category with the highest annual price increase in the entire inflation basket - coal prices in June were higher by 122% yoy. The coal shortage, exacerbated by embargo on imported coal from Russia, will be a factor that will continue to fuel inflation in the near future.

Core inflation was also rising – it accelerated to 9.1% yoy in June. Firms continued to compensate for unprecedentedly high energy and labour costs by shifting them onto finished goods prices in a high-demand environment. However, due to deteriorating economic conditions we estimate that a peak of core inflation is close and we will reach it in the third quarter of 2022 at 9.5% yoy.

This year's local inflation peak will be flat and will occur in the third quarter – inflation will hover around 15.5% yoy. At the end of the year, the inflationary pressure should slowly start to ease off. In turn, at the beginning of 2023, inflation will temporarily jump up due to the effect of the low reference base because of the Anti-Inflation Shield and high increases in energy tariffs for households. We will see a more dynamic decline in inflation from 2Q23 due to the expected economic slowdown, effects of interest rate hikes, as well as the high reference base from the previous year. The Anti-Inflation Shield will also stay with us in 2023. Nevertheless, inflation will continue to be high - we assume the average annual inflation in 2023 at 11%. The outlook for inflation returning close to the inflation target should be postponed until year 2025.



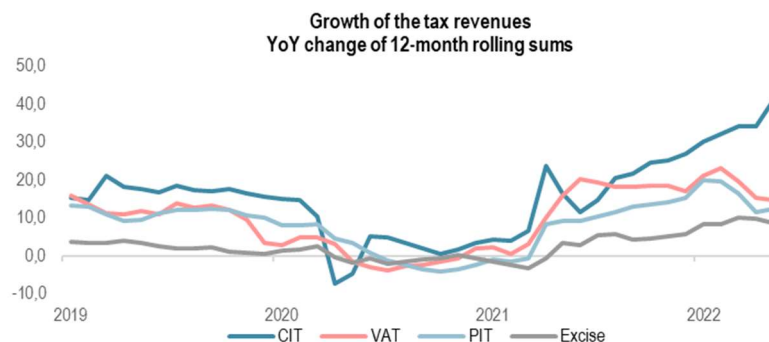
The NBP continued its monetary tightening cycle in the first half of 2022. The Monetary Policy Council hiked rates by a total of 475 bps, which makes the current cycle the largest and fastest in this century. Over that period market interest rates also rose and current market pricing suggests that the cycle will not end at current interest rate levels (6.5%). The market remains skeptical regarding the possibility of ending the cycle already as flagged in July by the MPC. According to the Bank the MPC will hike rates two times more and the NBP reference rate will reach 7.5%. Rate cuts will be considered by the Council in the second half of the year.



### Fiscal policy

The situation of public finances in H1 2022 remains relatively good given the fiscal easing that took place during this period. In January, the effective PIT rate was cut due to the Polish Deal reform 1.0 and in February VAT on fuels and food was reduced to 0% as part of the anti-inflationary shield. Nevertheless, at the end of May, the state budget recorded a surplus in its accounts (PLN 2.8 billion), larger than in the same period last year (191 million). This was thanks to a 40% YoY increase in CIT revenues in the period due to the introduction of the so-called minimum CIT measure, and a 20% YoY increase in VAT revenues due to high nominal economic growth. In turn, the cost of accepting refugees from Ukraine in Poland turned out to be less than expected, as a large part of them returned to their homeland or went into further emigration. About 1.2 million of them have settled permanently in Poland.

The bank expects the balance of public finances to deteriorate markedly in the second half of the year, mainly in the non-budgetary sector. In July, another PIT cut will go into effect (the base rate will drop from 17 to 12%, and the middle class allowance will be eliminated) and in the autumn 14-pensions (cost: PLN 12 billion) and coal allowances (cost: PLN 11.2 billion) will be paid out. The bank also expects the anti-inflation shield to be extended from October 2022 until the end of 2023. The deficit of general government will reach 3.1% and 3,5% of GDP in 2022 and 2023 respectively.



### Exchange rate

Initially, the second quarter of the year was marked by the fading impact of war-related shocks and declining volatility. Markets have found a new equilibrium rather smoothly and priced in an adequate – given the knowledge about inflationary processes at the time – scale of monetary tightening from major central banks. This environment was quite supportive for risk assets and emerging market assets in particular. In the case of the PLN the thawing of relations between Poland and EU institutions, and the approval to Polish Recovery Plan (which means, assuming certain conditions are met, that EU funds were greenlit). In these circumstances the PLN was strengthening and reached 4.55/EUR, 4.25/USD and 4.35/CHF at the turn of May and June. Over the same period long-term bond yields on core markets have stabilized.

The turning point for markets in the second quarter is marked by events on both sides of the Atlantic. On one hand, in reaction to US inflation and inflation expectations data the Fed has ramped up the pace of monetary tightening yet again, switching to 75 bps hikes. On the other hand, the energy crisis in Europe intensified, leading to even higher inflation, recession fears (this is now the baseline scenario for markets), further deterioration in trade balance and renewed downward pressure on the common currency. As a result, EM currencies lost considerable ground, market interest rates resumed growing and currencies of economies viewed as being in a better situation than the euro area appreciated considerably. The second half of June and early July passed with PLN weakening again (end-quarter levels were 4.70 / EUR, 4.50 / USD and 4.70 / CHF). The Bank believes that the PLN's weakness will hold until the end of the year and that EUR-PLN will end 2022 at 4.70.



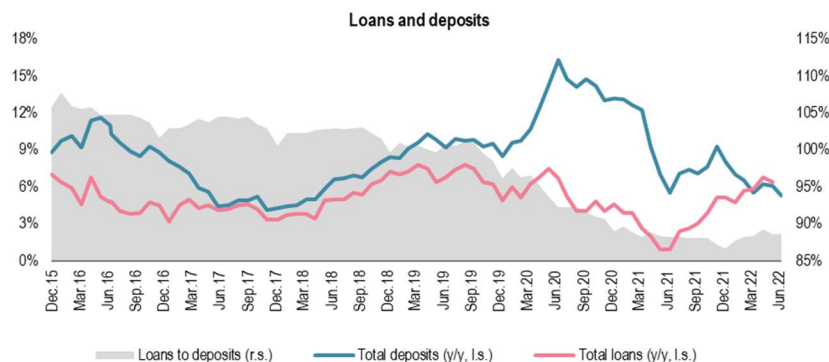
### Banking sector

According to the Financial Supervision Authority (KNF) data, in May 2022 net profit of the banking sector amounted to PLN 12.9 billion and was more than twice as high as in May 2021. Total net operating income of banks increased by 41% year on year, including above all rise of net interest income by 65% y/y (effect of a series of interest rate hikes) and net fees and commission income by 16% y/y. Banks' operating costs were 16% y/y higher, among others due to BFG rates returning to previous, higher levels. On the other hand, costs of risk barely changed (-0.6% y/y)

At the end of May 2022 total assets of the banking sector amounted to PLN 2,652 billion and increased by 8.9% compared to May 2021. Total receivables from the non-financial sector increased by 7.0% y/y, while total deposits from this sector by 4.5% y/y.

According to the National Bank of Poland (NBP), at the end of June 2022 the nominal volume of households' loans rose by 2.0% compared to year before. In case of enterprises, a growth of 14.2% y/y was recorded. While for the former the dynamics have remained at a similar level for several months, in the case of companies a clear upward trend has been observed for about a year (the trough of March 2021 saw a decline of almost 9% y/y).

Deposit dynamics are already past the post-pandemic normalisation period, when they were lifted by, among other things, various aid programmes and the savings accumulation effect. After June 2022 households' deposits grew by 2.0% y/y and in case of enterprises by 8.5% y/y.



## 5. Internal Factors

### 5.1 Description of the Group

The composition of Bank Pekao S.A. Group is presented in the Notes to the Interim Condensed Separate Financial Statements of Bank Pekao S.A. for the first half of 2022.

### 5.2 Changes in the Group's structure

#### Contribution of an organized part of the enterprise

On March 31, 2022, the Extraordinary Shareholders Meeting of Pekao Leasing Sp. z o.o. adopted a resolution approving the sale of the Organized Part of the Enterprise to PeUF Sp. z o.o. On April 1, 2022, the share capital of PeUF Sp. z o.o. was increased by the amount of PLN 12,491,900 by way of creating 249,838 shares with a nominal value of PLN 50 and a total nominal value of PLN 12,491,900. The new shares were acquired by Pekao Leasing Sp. z o.o. and covered by an in-kind contribution in the form of the Organized Part of the Enterprise Pekao Leasing Sp. z o.o. covering tangible and intangible assets used to conduct the business of an insurance agent providing insurance distribution services with a value of PLN 12,491,909.30. The value of the Organized Part of Pekao Leasing Sp. z o.o. in excess of the value of the shares taken up, was allocated to agio. On April 1, 2022, an in-kind agreement was also concluded between Pekao Leasing Sp. z o.o. and PeUF Sp. z o.o.

### 5.3 Changes in the Statutory Bodies of the Bank

#### Changes in the Bank's Supervisory Board

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 2022	30 JUNE, 2022	AS AT THE DATE OF SUBMITTING THE REPORT FOR FIRST QUARTER OF 2022
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	Małgorzata Sadurska 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	Marcin Izdebski Member of the Supervisory Board

### Changes in the Bank's Management Board

The Supervisory Board of the Bank, acting pursuant to the Article 368 § 4 and in connection with the Article 369 § 1 of the Code of Commercial Companies and taking into account the assessment of compliance with the suitability requirements, unanimously appointed on 14 June 2022 members of the Bank's Management Board for the new three-year joint term of office, effective as of the day following holding of the Ordinary General Meeting approving the financial statements of Bank for the financial year 2021.

The following persons were appointed to the Management Board of the Bank for the next three-year joint term of the office starting on the date indicated above:

- 1) Leszek Skiba for the President of the Bank's Management Board,
- 2) Marcin Gadomski or the Vice-President of the Bank's Management Board supervising the risk management significant in the Bank's operation,
- 3) Wojciech Werochowski for the Vice-President of the Bank's Management Board,
- 4) Jarosław Fuchs for the Vice-President of the Bank's Management Board,
- 5) Magdalena Zmitrowicz for the Vice-President of the Bank's Management Board,
- 6) Jerzy Kwieciński for the Vice-President of the Bank's Management Board,
- 7) Paweł Strączyński for the Vice-President of the Bank's Management Board,
- 8) Piotr Zborowski for the Vice-President of the Bank's Management Board,
- 9) Błażej Szczecki for the Vice-President of the Bank's Management Board.

As a result of the assessments performed, the Supervisory Board of the Bank concluded that all members of the Bank's Management Board and the Bank's Management Board as a whole meet the requirements referred to in Art. 22aa The Act of 29 August 1997 - Banking Law and the suitability requirements referred to in the Policy of selecting candidates for the position of a Management Board member and the Key Function and assessment of the suitability of proposed and appointed members of the management board, supervisory board and key functions at the Bank.

According to the submitted statement, none of the persons appointed to the Management Board of the Bank, do not conduct any business competitive to that of the Bank and they are 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. None of these persons is entered 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 Management Board of Bank Pekao S.A. has as follows:

AS AT THE DATE OF SUBMITTING THE REPORT FOR THE FIRST HALF OF 2022	30 JUNE, 2022	AS AT THE DATE OF SUBMITTING THE REPORT FOR FIRST QUARTER OF 2022
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
Jerzy Kwieciński Vice President of the Management Board	Jerzy Kwieciński Vice President of the Management Board	Jerzy Kwieciński Vice President of the Management Board
Paweł Strączyński Vice President of the Management Board	Paweł Strączyński Vice President of the Management Board	Paweł Strączyński 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
Piotr Zborowski Vice President Of The Management Board	Piotr Zborowski Vice President Of The Management Board	Piotr Zborowski 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

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 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 additionally sits on supervisory boards as the Chairman of Pekao Bank Hipoteczny S.A., Vice Chairman of the Supervisory Board in Pekao Leasing Sp. z o.o., Pekao Investment Banking S.A. and additionally is a member of the Supervisory Board of Biuro Informacji Kredytowej S.A.

Marcin Gadomski 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.



**PAWEŁ STRĄCZYŃSKI**  
Vice President of the Management  
Board supervising the Financial  
Division

Paweł Strączyński, Vice President of the Management Board supervising the Financial Division.

Mr. Paweł Strączyński has a university degree from the Wrocław University of Economics, the Faculty of National Economy, field of study: finance and banking and Master of Business Administration – Executive MBA degree.

He has extensive managerial experience. Mr. Paweł Strączyński has held position of the President of the Management Board of TAURON S.A. He was also Member of the Management Board of PKEE – Polish Electricity Association.

Previously Mr. Paweł Strączyński had held position of the Vice President of the Management Board for Finance at PGE Polska Grupa Energetyczna S.A. He had been a Member of the Management Board of companies such as: Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A., ZOWER Sp. z o.o., PGNiG Termika Energetyka Przemysłowa S.A., Przedsiębiorstwo Energetyki Ciepłej S.A. in Jastrzębie-Zdrój and Polska Grupa Biogazowa S.A.

Paweł Strączyński 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 4 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. From April 2022, Member of the Supervisory Board of Pekao Bank Hipoteczny S.A.

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



**PIOTR ZBOROWSKI**  
Vice President of the Management  
Board supervising the Strategy  
Division

Piotr Zborowski, Vice President of the Management Board supervising the Strategy Division

Piotr Zborowski is a graduate of the University of Warmia and Mazury in Olsztyn, Faculty of Law and Administration, major in law. He completed his legal adviser apprenticeship at the District Chamber of Legal Advisers in Warsaw. In Bank Pekao S.A. he was the director responsible for servicing corporate offices as well as corporate governance and supporting the work of the Management Board and Supervisory Board. He was involved in the process of building and implementing the Bank's strategy, as well as in the implementation of a number of strategic projects and cooperation on behalf of the Bank with the PZU S.A. group. Previously, he worked, among others in government administration bodies: the Chancellery of the Prime Minister and the Ministry of State Assets, as the Deputy Director of the Minister's Office. He performed advisory functions in the Military Property Agency and was responsible for organizational and legal supervision in the Military Trade Company.

Piotr Zborowski meets suitability requirements determined in art. 22aa of the 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, 2022, 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 2022		AS AT THE DATE OF SUBMITTING THE REPORT FOR THE FIRST QUARTER OF 2022	
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%
Funds managed by 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%
<b>Total</b>	<b>262,470,034</b>	<b>100.00%</b>	<b>262,470,034</b>	<b>100.00%</b>

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 2022, Bank Pekao S.A. had assigned following financial credibility ratings:

<b>FITCH RATINGS</b>	<b>BANK PEKAO S.A.</b>	<b>POLAND</b>
Long-term rating (IDR)	BBB+	A-
Short-term rating	F2	F1
Viability rating	bbb+	-
Support rating	5	-
Support rating factor	No floor	-
Outlook	Stable	Stable
National Long-Term Rating	AA(pol) (stable outlook)	-
National Short-Term Rating	F1+(pol)	-
<b>S&amp;P GLOBAL RATINGS</b>	<b>BANK PEKAO S.A.</b>	<b>POLAND</b>
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
<b>S&amp;P GLOBAL RATINGS (RESOLUTION COUNTERPARTY RATING)</b>	<b>BANK PEKAO S.A.</b>	<b>POLAND</b>
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	-
<b>MOODY'S INVESTORS SERVICE (UNSOLICITED RATING)</b>	<b>BANK PEKAO S.A.</b>	<b>POLAND</b>
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 27 January 2022 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 bank's rating assessment reflects its strong business position as well as high customer confidence resulting from having strong state-related shareholders - PZU and PFR. According to the agency, the acquisition and integration of part of Idea Bank's assets and liabilities has no significant impact on the capital ratios and risk profile of Bank Pekao. Both the profitability and efficiency of the bank remain at the levels similar to that of other Polish banks and higher than that of many international institutions. According to S&P, the bank's exposure to CHF loans is not significant.

The bank's stable outlook reflects that of Pekao's largest investor - PZU.

**Pekao Bank Hipoteczny S.A. financial credibility ratings**

Pekao Bank Hipoteczny S.A. cooperates with the international rating agency Fitch 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. According to Fitch, the rating of Pekao Bank Hipoteczny S.A. is influenced by the level of integration with the parent company, the scale of operations and the Bank's capital.

At the end of June 2022, the long-term rating of Pekao Bank Hipoteczny S.A., awarded by the Fitch rating agency, was BBB + with a "Stable" outlook. Covered bonds issued by Pekao Bank Hipoteczny S.A. were rated "A-" 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.

## 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.

#### 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.

	30.06.2022	30.06.2021
Total number of outlets	624	669
own outlets	539	597
partner branches	85	72
Total number of own ATMs	1 414	1 549

#### The number of accounts

At the end of June 2022, the Bank maintained 7,144.2 thousand PLN denominated current accounts, 388.5 thousand mortgage loan accounts and 604.4 thousand "Pożyczka Ekspresowa" (Express Loan) accounts.

(in thousand)

	30.06.2022	30.06.2021
Total number of PLN current accounts (*)	7 144,2	6 466,4
of which packages	5 110,6	4 776,3
Number of mortgage loans accounts (**)	388,5	403,7
of which PLN mortgage loans accounts	362,8	375,9
Number of Pożyczka Ekspresowa loan accounts (***)	604,4	623,0

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

(\*\*) Retail customers accounts.

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

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.

## RETAIL BANKING AND PRIVATE BANKING

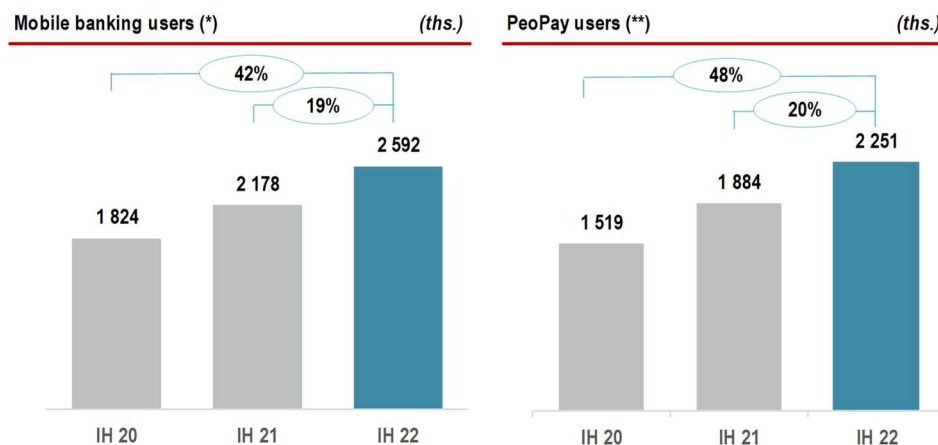
### Strategy - The „Customer” pillar

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 2022, the number of active mobile banking customers increased by 195 thousand (+19% y/y) to 2.59 million and was 42% higher than a two years ago. The number of active mobile customers using the PeoPay application increased by 213 thousand (+20% y/y) to 2.25 million and was 48% higher 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 PeoPay application, who logged in to the system PeoPay at least once during the last quarter.

In the first half of 2022, 91 thousand enterprises actively used mobile banking and 223 thousand used electronic banking (an increase by 47 thousand compared to the first half of 2021). Over 80% of electronic banking customers log from mobile devices.

The increase in customer activity in digital channels was also reflected in the satisfaction results. PeoPay is one of the best-rated financial applications available on Google Play and the AppStore.

In the 7<sup>th</sup> edition of the Institution of the Year organized by the [mojebankowanie.pl](http://mojebankowanie.pl) portal, we were among the winners in the best online banking category. The functionality and user-friendliness of access to the account via internet banking were appreciated.

In the first half of 2022, we focused on introducing new solutions in electronic banking Pekao24, PeoPay and PeoPay Kids and we provided our clients with the following options:

- opening an account using the mObywatel application for individuals and entrepreneurs in the selfie process,
- remote service of credit cards - customers can change and assign a PIN to the card, temporarily restrict its use or block the card completely, and order a new one,
- submitting new applications for social benefits,
- BLIK service for the youngest customers in the PeoPay Kids application,
- making payments for parking lots in paid parking zones,
- purchase of a public transport ticket,

- adding accounts from other banks,
- extension of the loan,
- partial repayment of the mortgage loan and suspension of the repayment of principal and interest installments of the mortgage loan,
- certificate of the overdraft limit (on the amount, repayment and closing the limit),
- closing a savings account,
- reporting the client's death.

In the PeoPay application, we have simplified navigation, we have placed all products in one place, and the customer decides which functionalities and elements he wants to put on the main screen. Another novelty is the possibility of contacting the Bank's hotline without logging into the telephone service, just select the appropriate function in the PeoPay application.

Customers using a business and personal account at PeoPay can set a default profile in the application, which will be visible after logging in.

We also introduced PeoPay "stories", in which we present users with personalized offers, information and a guide related to the use of new application functions. We applied onboarding of changes to the application, each new version of the application explains the changes to the customers.

In the latest version of PeoPay, we made to submit an application, instructions and check the status of the case from the dashboard.

Parents of children using the PeoPay KIDS application can control the status of their children's accounts or their expenses on the widget, and receive push notifications regarding security events related to the mobile application, such as: information about logging in, blocking the application or generating PIN codes.

We have made available to individual clients the possibility of using the qualified mSzafer electronic signature. A document signed with a qualified signature is respected in all European Union member states.

#### **PeoPay KIDS**

The PeoPay KIDS package is used by nearly 75 thousand young clients, over 3 million transactions were made with the Mastercard PeoPay KIDS card (the average amount of one transaction is PLN 11). Young customers have accumulated over PLN 37 million in virtual moneyboxes and PLN 19 million in the Konto Przekorzystne.

In the first half of 2022, 99% of transactions made with the PeoPay KIDS card were non-cash transactions, and 16% of PeoPay KIDS application users logged in with a fingerprint or Face ID.

We made it possible for the youngest clients to personalize the PeoPay KIDS application to their preferences.

#### **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**

In the first half of 2022, we acquired 267 thousand new accounts (Konto Przekorzystne and Konto Świat Premium), which is an increase of +41% compared to the first half of 2021. Thanks to the promotions of Savings Accounts and the introduction of a higher interest rate for funds accumulated for a period of 6 months, the number of internet accounts increased by 48% compared to 6 months of 2021.

We actively promoted the opening of an account for children aged from 0 to 17, offering special bonuses and attractive interest rates on the My Skarb savings account. In the first half of 2022, we opened 44.5 thousand accounts for children, which is an increase of 40% y/y.



We have prepared a special offer for Ukrainian citizens. We have simplified the procedure of opening an account for individual clients - one identity document is enough. We have abolished fees for transfers from Poland to banks in Ukraine and from Ukraine to Poland for both individual and corporate clients. We have abolished fees for keeping the Konto Przekorzystne, servicing the account card and cash withdrawals at ATMs in Poland and abroad. We do not charge a margin and fees for currency exchange in transactions with an account card abroad. In the first half of 2022, we opened 69 thousand accounts for customers from Ukraine, which is a 5-fold increase compared to the first half of 2021.

We continued to run promotions under the Mastercard Bezcenne Chwile loyalty program, thanks to which customers gained additional bonus points that they can exchange for prizes. And customers who recommended Konto Przekorzystne to their relatives and friends could receive a bonus of up to PLN 100.

For sole proprietors who will set up a business account, we have introduced the "Business account and card for two years for PLN 0" promotion. In addition to being exempt from the account and card fee for 2 years, customers can also receive a bonus of up to PLN 2,000.

For business clients, we have introduced the "Accounting with Żubr" service, under which we provide clients with accounting services and company finance management. The service is available in several packages and for new customers the Business Package is offered free of charge for the first 30 days.

### **Payment cards**

In the first half of 2022, we introduced a Credit Card with Żubr. This is the first credit card in Poland in the subscription model available in three packages.

At the time of issuing the card, the customer selects the appropriate package: standard, gold or platinum. The card is free in the standard package. The package can be changed free of charge and adapted to customer's needs without the need to replace the plastic card. The advantages of the card include, among others the option of dividing the repayment into convenient 0% installments, reimbursement for online purchases and payments on motorways, insurance for purchases and online transactions, travel insurance, access to free airport lounges and an exceptionally long interest-free period. The new card is made of 99% recycled raw material.

### **Lending products**

#### **Consumer loans**

In the first half of 2022, we offered an express loan on attractive terms with a cautious approach and adjustment of the credit policy to the dynamically changing macroeconomic situation, and we developed sales processes, especially taking into account remote processes.

The value of granted cash loans in the first half of the year amounted to PLN 2.27 billion and increased by over 8% compared to the first half of 2021. In the second quarter of 2022, sales amounted to 1.3 billion and increased by 36% quarter on quarter.

Remote sale of loans in the first half of 2022 reached a record level of PLN 1.4 billion with a growth dynamics of +67% compared to the first half of 2021.

We concluded 14.8 thousand new limit agreements in the account, i.e. almost twice as much compared to the first half of 2021.

#### **Mortgage loans**

In the area of mortgage loans, we have adapted our offer to the changing market conditions. We consistently improve loan granting processes and remote after-sales processes. The value of granted mortgage loans in the first half of 2022 amounted to PLN 2.5 billion.

In the first half of 2022, we transferred part of our mortgage loan receivables to Pekao Bank Hipoteczny. The total number of loans transferred so far is over 8.5 thousand worth PLN 1.6 billion.

#### **Business clients loans**

In the first half of 2022, the value of financing granted to a business client increased by +47% compared to the first half of 2021. The increase was influenced, among others, by:

- increase in sales of bank loans by +32% y/y supported by the implementation of the full risk assessment path in the NAPS Biznes system, which allows for a quick calculation of the available limit, thanks to comprehensive tools allowing to launch a loan or a revolving limit in one day,
- increase in leasing and factoring sales by +67% y/y, supported by the implementation of factoring for business customers ("Płynnościomat").

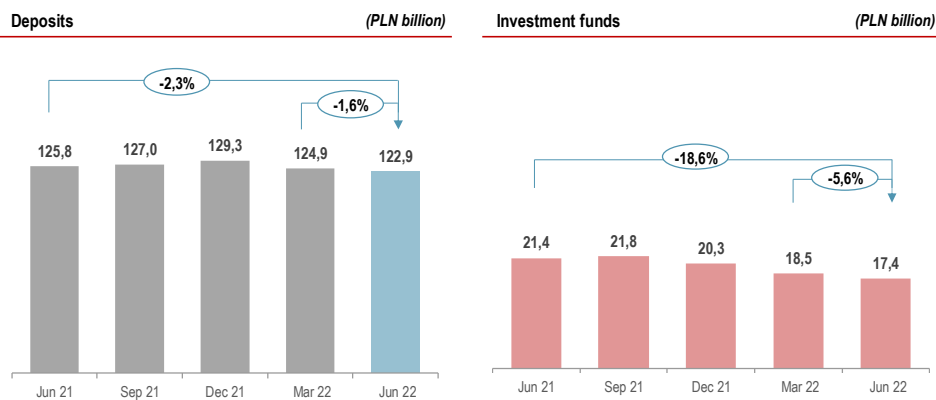
### Development in the area of insurance products

We consistently expanded our bancassurance offers and deepened our cooperation within the PZU Group. We have implemented two products - a new product with an insurance capital fund "Świat Inwestycji Premium II" and an insurance package for the new Credit Card with Żubr. In the first half of 2022, the number of the Bank's clients acquired by PZU increased by 5% compared to the same period last year.

The share of cash loans sold with insurance in the first half of 2022 was 36%, and the share of mortgage loans sold with insurance was 95%. At the end of June 2022, 63 thousand customers had at their disposal the Pakiet Komfort for Konto Przekorzystne, an integral element of which is the "Twoja Ochrona" which provides, among others insurance of internet purchases, personal property, third party liability and assistance.

In April 2022, we started selling mortgage loans and personal accounts on the innovative employee benefits platform Cash. The joint project in cooperation with PZU Cash increases customer acquisitions thanks to the possibility of offering our products directly to employees from over three thousand companies. As part of cooperation with PZU Cash, as one of the first banks on the market, we have provided clients with a remote application process for a mortgage loan, the only signing of which takes place in a branch.

### Deposit, brokering activity and sale of investment products



At the end of June 2022, the sum of deposits and certificates of deposit held by individual and business customers amounted to PLN 123 billion and was at a similar level to June 2021.

In the first half of 2022, in connection with the market situation, also related to the increases in MPC interest rates, we introduced attractive promotions of deposit products:

- on the Savings Accounts and Premium Savings Accounts, a promotional interest rate of up to 5.0% per annum for 6 months from the account opening (further increase in interest to 7% after June 30 this year), rentier deposit 6.0% per annum for a period of 36 months,
- PeoPay deposits with an interest rate of up to 5% (increase to 6%) per annum for 3 months, up to 30 thousand PLN, for each client who resigned from paper statements and opened a deposit in the mobile application,
- deposits with an investment product (with an interest rate of up to 6% per annum for 12 months increase to 7%) - an offer addressed to customers interested in diversifying some of their savings,
- deposits for new funds (interest rate up to 6.0% per annum up to 12 months – increase to 6.5%).

In the first half of 2022, we introduced the following investment products to the offer for individual and private clients:

- bank securities in the form of certificates of deposit linked to exchange rates,
- Diversified Investment" certificates,
- structured products based on baskets of shares and certificates with capital protection,
- PZU FIZ Legato investment certificates,
- public offerings of KRUK S.A. bonds,
- investment certificates addressed only to Private Banking clients.

We encourage clients to use remote channels by offering preferential pricing conditions for those purchasing investment products via internet functionalities. We made it possible for clients to remotely sign the contract for accepting and transferring orders and the MiFID questionnaire in the PeoPay application.

## ENTERPRISE BANKING

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

In the first half of 2022, we focused on the automation and digitization of the credit process and the development of electronic banking functionalities enabling customer self-service.

### 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.

### Lending activities and customer financing

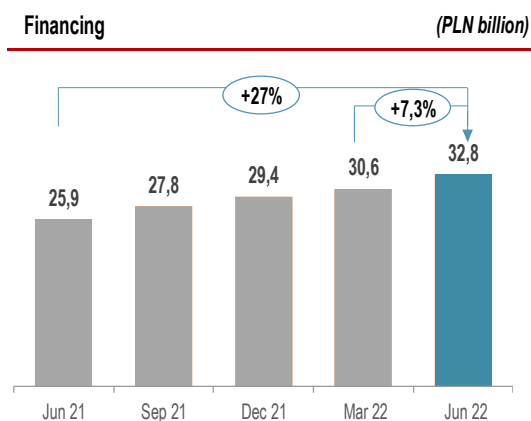
We offer our clients a wide, comprehensive range of products and services, such as bank loans, leasing, factoring, arranging issues of debt securities and other specialized forms of financing.

As the only commercial bank in Poland, we have signed a portfolio guarantee agreement with the Pan-European Guarantee Fund (PFG), which enables loans to be granted on exceptionally favorable terms. Thanks to this, we are planning to grant this year preferential investment and working capital financing in the amount of almost PLN 5 billion for micro, small and medium-sized enterprises.

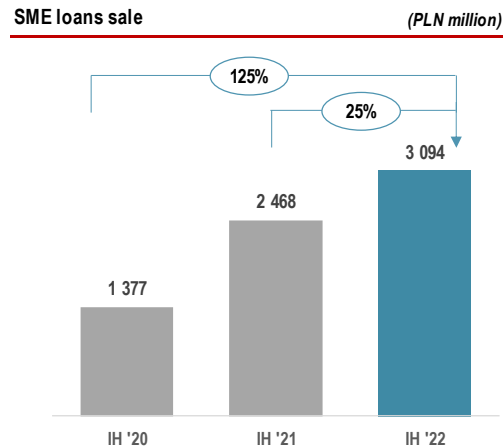
We have signed another agreement with Bank Gospodarstwa Krajowego on granting free liquidity loans from the POIR program. The budget of the program in the amount of PLN 75 million is available to entrepreneurs from the Mazowieckie voivodship. The loans are targeted at micro, small and medium-sized enterprises that have been affected by the pandemic.

In the first half of 2022, we maintained a high dynamics of the loan portfolio +27% y/y - an increase in value by PLN 7.0 billion. The growth dynamics in the segments amounted to:

- small and medium-sized enterprises: +28% y/y, PLN +1.9 billion,
- medium-sized corporations: +27% y/y, PLN +5.1 billion.



The second quarter of 2022 was another quarter in which the value of loans sold in SMEs exceeded the threshold of PLN 1.7 billion (without renewals), growing by +25% y/y. In the MID segment, the value of loans sold reached PLN 4.7 billion - an increase of +81% y/y. In total, clients of the Enterprise Banking Division were granted almost 10.4 billion new loans (without renewals) +60% y/y.



### Transactional banking

The volatility in the currency market, combined with the activities of specialists and currency dealers, contributed to an increase in customer activity in the area of current currency exchange transactions and hedging of currency risk. The volume of currency exchange transactions in the first half of 2022 increased by 43% y/y, while the second quarter of 2022 was higher by + 35% y/y. The volume of transactions hedging the currency risk increased by 19% y/y. Enterprises were increasingly hedging against interest rate risk, the volume of these transactions increased by 73% y/y.

We have implemented a new mobile application for business PeoBiz, with a new interface and a wide range of functionalities, including :

- secure login using Touch ID/Face ID,
- quick check of the financial status and turnover on the account,
- extensive functionality of domestic transfers: transfers to the phone, Express Elixir,
- BLIK phone transfer - the possibility of sending a payment to the telephone number of a individual person (e.g. contractor, customer, company employee) in the mobile application,

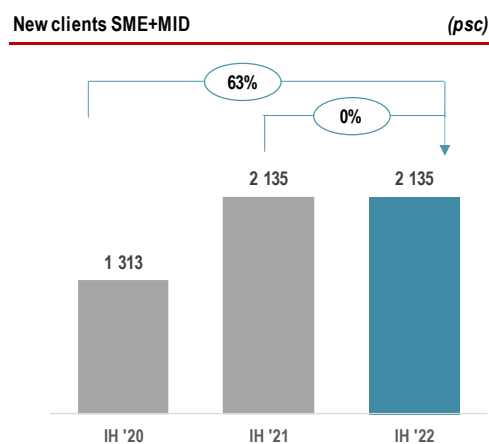
We also provided our clients with new functionalities in electronic banking, such as:

- changing or supplementing payment instructions for foreign currency transfers,
- granting or modification of rights to the PekaoTrade service,
- presentation of data of the customer service team, with an up-to-date list of direct contacts to individual employees of the Bank.

In the first half of 2022, we recorded a significant 25% increase in customers actively using the application self-service zone.

### Customer acquisition

In the first half of 2022, we acquired 2.1 thousand SME and MID clients, maintaining the high level of acquisition from the previous year. Particularly noteworthy is the increase in the acquisition of SME clients with a turnover of over 5 million (+20% y/y). At the end of the first half of 2022, we served over 57 thousand clients.



## CORPORATE AND INVESTMENT BANKING

The Corporate Banking covers corporate segments, significant capital groups (the so-called Large Corporations), public sector clients, financial institutions as well as commercial real estate and specialized financing. The Pekao Group is a leader in these segments with a competitive advantage resulting from experience, unique staff, specialized knowledge and processes and the potential to co-finance large projects based on a very strong liquidity and capital position. The Bank provides 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. A wide range of products and services, innovative solutions, customised approach and the comprehensive financial services for the largest enterprises, institutions and public sector units are appreciated by clients and decide about the strength of corporate banking of Bank Pekao S.A.

## CLIENTS

At the end of the first half of 2022, we were servicing over 6.6 thousand clients. We cooperate with the largest companies. We provide support in terms of substantive, operational and financial development of our clients both in everyday business and large strategic projects. In our relations with clients, the key elements include:

- taking into account the needs of individual client groups and segments in the process of designing and adjusting the product offer,
- responsible capital management, inter alia, through a detailed analysis of clients, transactions and sector expertise as well as an access to the unique corporate and investment banking knowledge and solutions (including DCM competences or targeted product x-sell),
- understanding the situation of clients in global economy by actively supporting foreign expansion of corporate clients (M&A, trade finance, export structured finance, correspondent banking, custody),
- actively supporting clients as part of economic recovery and climate transformation programs (development and infrastructural projects for strategic and public sector clients),
- providing clients with a wide range of digital solutions allowing self-service in remote channels and enabling relationship managers to provide specialized solutions.

### Strategy

Since 2021, we have been implementing a strategy providing for effective volume growth, using competitive advantages such as: in-depth sector expertise, specialist financing knowledge as well as the growing digitalization of processes. According to this Strategy, we want to maintain our leadership position and a high market share in revenues.

Plans and ambitions of Corporate Banking rest on 4 pillars:

#### Growth:

- increase of x-sell,
- high market share in the segment of large corporations,

#### Effectiveness:

- digitalisation and automation of processes,
- promotion of self-service in digital channels,

#### Clients:

- specialist, customised service of complex transactions,
- support in financing public sector projects,

#### Responsibility:

- responsible capital management,
- support of sustainable economic development,

An integral part of our business strategy is the adopted ESG strategy. Pursuing this strategy we want to engage in financing sustainable projects, support the energy transformation of our clients and their transition to a low-carbon economy. We want to achieve these goals, among other things, by financing the development of renewable energy sources (RES), entities operating in the sectors of new technologies, as well as by actively participating in the government and EU programs aimed at reconstruction and climate transformation. The development and modernization of the Polish economy, supporting the service and use of state and EU programs.

**Our approach to growth** is focused on development of modern, digital tools supporting the work of our relationship managers. We pursue this aim by automating their work and providing them with market data, which increases their advisory competences and facilitates establishing long-term business relationships. In addition, we are significantly involved in ecological projects and the projects related to a responsible approach to running business. We are also developing international banking and actively supporting foreign expansion of our clients.

**Strengthening the bank's effectiveness**, we focus on increasing the level of robotization and automation of both internal processes and the solutions available to clients. We are continuously expanding the scope of self-service operations in digital channels and the number of products available for online purchase.

**We are invariably building a customer-centric culture** and we want to be the first choice bank for our clients. That is why we try to quickly and accurately recognize and satisfy their needs. We provide advice based on the knowledge of client's profile, industry and segment, and we try to increase the level of satisfaction of our clients with their interaction with the bank in digital channels.

**Supporting sustainable economic development**, we actively support the government and EU programs for economic reconstruction and climate transformation (development and infrastructure projects for business clients and public sector units). In addition, we responsibly manage our capital by selecting better clients, products and transactions based on sector expertise, a wide product offer and competences in structured finance.

#### **Cooperation with financial institutions and custody services**

The bank holds a leadership position in servicing domestic financial institutions, focusing on providing the highest quality services to insurance companies, investment funds, brokerage houses, financial sector infrastructure entities, cooperative banks as well as savings and credit unions. The range of services includes modern transactional banking products, clearing products, treasury products, custody services and custodian bank services, as well as the access to the comprehensive offer of the Pekao Group entities addressed to this segment of clients.

As part of the corresponding banking, as at 30 June 2022, the Bank maintained 75 nostro accounts with 47 banks in 26 countries; it ran 217 loro accounts for 197 foreign clients (banks and other financial institutions) from 46 countries and 43 current accounts for 37 foreign financial institutions.

The Bank also intermediated in the execution of transactions for clients of other domestic banks, running 35 loro accounts for 12 Polish banks and maintaining 5 nostro accounts with 1 Polish bank.

Implementing the Bank's strategy aimed at developing the cooperation of the Pekao Group with small and medium-sized enterprises, the Bank successfully acquires, together with its subsidiary: Pekao Leasing Sp. z o.o., financing from the leading development banks (European Investment Bank, Council of Europe Development Bank, Bank Gospodarstwa Krajowego).

In the first half of 2022, Pekao Leasing Sp. z o.o. launched a loan in the amount of EUR 132 million granted by the European Investment Bank under the agreement signed in 2021.

This financing is part of the long-term cooperation strategy of the Pekao S.A. Group with small and medium-sized enterprises - the funds will be used to finance this sector of enterprises.

In addition, the cooperation of Pekao Leasing Sp. z o.o. with small and medium-sized enterprises and financing of their investments will be supported by the loan from the Council of Europe Development Bank. In June 2022, Pekao Leasing Sp. z o.o. signed a loan agreement for the amount of 200 million.

Under both agreements, Pekao Leasing Sp. z o.o. committed itself to allocate a minimum of 20% of funds to investments supporting climate protection and environmental sustainable development. The next 20% of both loans will be allocated to activities promoting gender equality and the development of female entrepreneurship.

Bank Pekao S.A. is the arranger and underwriter in both transactions.

#### **Transactional banking**

The key achievements in the area of transactional banking in the first half of 2022 include:

- extending the range of foreign transfers executed in express mode by other currencies: Canadian dollars (CAD), Turkish lira (TRY), Romanian lei (RON), Bulgarian lev (BGN), Croatian kuna (HRK),
- extending cut-off times for transfers in currencies executed so far in express mode and TARGET-2 – one of the longest cut-off times on the market,
- implementing the following solutions as a result of the situation in Ukraine:
  - special offer for the Ukrainian companies – simplified procedures, special pricing offer,
  - support in Ukrainian language for business clients,

- translation of the Bank's documentation into Ukrainian and Russian,
- exemption of all clients from fees for transfers to and from Ukraine,
- implementing ExpressElixir SPLIT incoming domestic transfers for the whole bank and outgoing transfers in the PekaoBiznes24 system
- extending the self-service zone in PekaoBiznes24 with a new application "Change or supplementation of payment instructions for transfers in foreign exchange transactions".

In the first half of 2022 we recorded an increased number of the executed transactions:

- the number of domestic transfers increased by 5% in comparison with the first half of 2021, and the number of ExpressElixir instant transfers sent from PekaoBiznes24 rose by 216% as compared to the first half of 2021. We maintain a 20% market share for domestic payments,
- the number of outgoing foreign transfers increased by 49%, the volume of outgoing foreign transfers increased by over 100%, the number of incoming transfers increased by 11%, the volume of incoming foreign transfers increased by 96% as compared to the first half of 2021,
- more than 83 million transactions were processed under Pekao Collect service (identifying mass payments of clients) with a total volume of over PLN 132 billion, which means that the number of these transactions remained at a similar level as the results after the first half of 2021, whereas the volume of processed transactions increased by 26% as compared to the first half of 2021,
- more than 3 million Direct Debit transactions were processed, i.e. at a comparable level to the first half of 2021, while the volume of transactions rose by 6,85% up to the total amount of PLN 972.

### **Trade finance**

In the first half of 2022, the amount of the newly opened documentary letters of credit increased by over 57% as compared to the first half of 2021. 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 18% in comparison with the same period of 2021, and the Bank's exposure resulting from the granted guarantees in comparable periods was higher by about 11%.

The continuous development of the Open Financing Platform (OFP), supporting the products based on purchase of receivables, allowed to finance in the first half of 2022 more than 31 thousand invoices whose value was by almost PLN 800 million higher than in the same period of 2021.

Our efforts were appreciated by clients who positively assessed the Bank in the competition organized by the prestigious Euromoney Magazine. As a result we were awarded the titles of the „Market Leader in Poland 2022” and „Best Services in Poland 2022”. It means that clients recognized Bank Pekao as the leader on the Polish market and the best provider of trade finance services.

### **Cooperation with international clients**

The Bank supports the export plans of Polish companies present on foreign markets or planning international expansion. The Bank's clients can benefit from a package of the most advantageous financial solutions tailored to the business model. An attractive product offer for financing foreign contracts is a key element of support and at the same time a condition for strengthening the presence of domestic entities on foreign markets

The Bank granted loans and prepared comprehensive offers for short and long-term financing of international transactions, supporting the expansion of Polish enterprises on both European markets and in developing countries. When carrying out transactions, the Bank cooperated, among others, with KUKE (Export Credit Insurance Corporation), taking advantage of the concluded framework agreement as well as the agreement from 2021 concerning new insurance and guarantee products under the new export support system. The solutions offered by the Bank also include loans for financing domestic investments generating exports, as well as instruments for purchase of foreign assets.

The Bank also continued the cooperation with the UniCredit Group which provides for servicing UniCredit clients on the Polish market and Polish clients on foreign markets. The agreement allows supporting Polish clients in conducting business in the countries where the UniCredit Group operates. The agreement also strengthens the role of the Bank as an expert in cross-border solutions for international clients and it positions Bank Pekao S.A. as a Polish European bank.

### **Investment finance, structured finance and commercial real estates**

The Bank supports the development of enterprises and infrastructure through long-term financing of investments in various segments of the economy. We offer our clients the services in the field of investment banking, structured finance and financing of commercial real estate projects, including financing of the construction of warehouses.

The key projects financed by the Bank in the first quarter of 2022 included:

- syndicated financing of the construction of photovoltaic farms in the amount of PLN 779 million,
- financing the construction of the largest photovoltaic farm in Poland with a target capacity of 285.6 MW, financing amount of PLN 763 million,
- financing of the purchase and revitalization of warehouse parks, adaptation to ESG standards, in the amount of PLN 450 million,
- syndicated financing of the construction of over one hundred photovoltaic farms in the amount of PLN 428 million,
- syndicated financing of the acquisition made in Polish fuel industry in the amount of PLN 360 million,
- increasing the amount of reverse factoring up to PLN 550 million for one of the top groups operating in the chemical industry,
- increasing the amount of full factoring up to PLN 330 million for one of the leading groups from the energy sector,
- investment loan for a company from the metal processing industry in the amount of PLN 150 million,
- financing of a subsidiary company in cooperation with EBI in the amount of EUR 132 million.

### **Issuance of debt securities**

Taking into account the outstanding debt as at 31 May 2022, Bank Pekao S.A. had nearly 33% market share (1<sup>st</sup> place) in the area of arrangement and service of non-treasury debt securities (above 365 days), and in the case of securities issues with maturity over one year the market shares were as follows:

- nearly 40% market share in arrangement of corporate bond issues (1<sup>st</sup> place),
- nearly 14% market share in arrangement of banks' debt securities (3<sup>rd</sup> place),
- nearly 23% market share in arrangement of municipal bond issues (2<sup>nd</sup> place).

In the first half of 2022, the Bank participated in issuance of non-treasury debt securities (of corporate entities and municipal units) for the total amount of PLN 13 billion, of which the following transactions deserve special attention:

- issue of 7-year Eurobonds for a Polish development bank in the amount of EUR 500 million for the development of road infrastructure, in which the Bank acts as a co-arranger,
- the issue of bonds for a company belonging to an international automobile concern for the amount of PLN 400 million, with maturity of 2 years, in which the Bank acted as the sole arranger and dealer,
- the issue of 6-year bonds for a leading company on the Polish market from debt collection industry for the total amount of PLN 350 million, in which the Bank acted as Dealer of the consortium,
- the issue of bonds for a leasing company belonging to an international financial group for the amount of PLN 200 million maturing in April 2024, for which the Bank performed the function of coordinator, arranger and dealer,
- the issue of bonds for a company owned by an international developer group for the amount of PLN 135 million maturing in September 2025, in which the Bank acted as a co-arranger and dealer,
- the issue of three series of bonds denominated in EUR and PLN for a leasing company from the Group for the total amount being the equivalent of about PLN 1,3 billion and the issue of several dozen series of bonds denominated in PLN and EUR for a factoring company from the Group for the total amount being the equivalent of about PLN 6,8 billion, in which the Bank acted as the sole arranger and dealer.

### **Comprehensive service of public sector finances**

The Bank maintains the leading position in cooperation and financing of public sector in Poland. We cooperate with 11 out of 12 Polish metropolises (92% market share) and provide ongoing budget support for 5 of them. We cooperate with every fourth municipality in Poland (25% market share). We also maintain business relationships with 92% of towns with county rights and provide ongoing services to every fifth of them (21%). We also cooperate with every third county (37%) and with almost all provinces (94%). We are also a major partner for state universities – 70 of them use our services.

In a competition announced by the Polish Development Fund, we were selected for the operational service of the National Reconstruction Plan. The agreement regulating the terms of cooperation was concluded in June 2022.



## 6.2 Achievements of subsidiaries

### ***Pekao Bank Hipoteczny S.A. – Pekao Bank Hipoteczny***

Pekao Bank Hipoteczny, as a specialist mortgage bank, continued its activities on the market of financing housing needs for private individuals as well as commercial clients and cooperating with Bank Pekao in the area of purchasing receivables secured with real estate.

In the first half of 2022, Pekao Bank Hipoteczny completed transactions of purchase and transfer of mortgage receivables from Bank Pekao for the total amount of PLN 144 million. The net value of the loan portfolio at the end of June 2022 amounted to PLN 3,388.0 million and was lower by PLN 124.0 million (i.e. 3.6%) compared to the end of the first half of 2021, which was due to the portfolio prepayments. Loans granted to enterprises and local government units constituted 17.6% and 8.0% of the loan portfolio, respectively, while loans granted to individual customers constituted 74.4% of the portfolio. The new receivables accepted from Bank Pekao in the first half of 2022 were intended for financing the housing needs of individuals.

The total value of liabilities under mortgage bonds as at June 30, 2022 was PLN 2,197.7 million. (including EUR 50 million). As at June 30, 2022, the value of liabilities under bonds was PLN 151.7 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 website: [mojeppk.pl](http://mojeppk.pl).

As at and of June 2022, the value of the net assets of Pekao TFI investment funds (including PPK) amounted to PLN 17.4 billion and was lower by PLN 4.0 billion, i.e. 18.6% compared to the end of June 2021. The lower value of this year's assets was adversely affected by the situation on the capital markets, funds from redemption of funds 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 2022, the Company concluded 8.3 thousand new contracts. The value of leased assets was 10.5% higher than in the first half of 2021 and amounted to PLN 2.5 billion, including: 55.5% means of transport, 39.8% - machinery and equipment, 3.7% - real estate, 1.0% - 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.

The company participates in the factoring limits repayment program with the support of Bank Gospodarstwa Krajowego. Repayment guarantees were granted under public aid from the Liquidity Guarantee Fund for the purpose of financing incomplete and reverse factoring. Pekao Faktoring ranks first on the Polish factoring market with an approximately 21.3% 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 2022, Pekao IB participated in raising capital by one public company, advised on the issue of shares of one of the companies listed on the WSE and provided bond issue services for eight entities, as well as services in connection with calls for the sale of shares of one company listed on the WSE and compulsory buyout of shares of one company. During this period, the Company also conducted a number of transactions on the private and public capital market, as well as in the field of debt advisory, with a plan for their implementation in the coming quarters.

***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. The company offers its clients services of the highest quality and safety. PFS specializes in maintaining accounts of participants in investment funds, pension funds and PPK.

The group of clients served by PFS includes companies with an established market position. PFS is one of the two companies that service OFE funds using the services of an external transfer agent.

***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. Pekao Direct serves clients through alternative communication channels, mainly in the form of telephone, e-mail and in the form of chats. The main communication channel is telephone connections - in the first half of 2022, Pekao Direct handled 8.2 million calls. In the first half of 2022, the company handled 195.3 thousand chat and video calls as part of the PeoPay application.

Pekao Direct participates in the process of setting up selfie accounts and verified 30.7 thousand selfie accounts in the first half of 2022. The company, in cooperation with the Bank, conducts projects aimed at developing communication with customers, including the use of mobile banking.

***Centrum Kart S.A. – CK S.A.***

The company provides comprehensive services related to, inter alia, 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.

***Krajowy Integrator Płatności S.A.- KIP***

Since 31 March, 2021, the Bank owns shares representing 38.33% of the shares of Krajowy Integrator Płatności S.A., the owner of the Tpay fast internet payment system (previously Transferuj.pl).

The company has the status of a national payment institution and is supervised by the Polish Financial Supervision Authority. KIP's activity is to act as intermediaries in transferring payments between the payer and the payee.

In the first half of 2022, the Company continued the process of increasing the scale of its operations in the area of online payments, service websites and was looking for new areas to expand the possibilities of the services provided.

### 6.3 Awards and distinctions

The activities of Bank Pekao S.A. gained wide recognition by clients, industry specialists, the market and the media, as evidenced by numerous awards and distinctions granted by Polish and foreign institutions. Measures aimed at providing customers with the highest quality products and services, innovation of the proposed solutions have been appreciated.

Below are the most important awards and distinctions received in the first half of 2022.

#### **"Złoty Bankier 2022" for the best personal account**



For the second year in a row, Konto Przekorzystny took first place in the personal account category in the Golden Banker ranking. 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 six years we have been continuously receiving the title of "The Best Investment Bank in Poland", awarded in the prestigious competition of the international magazine Global Finance.

#### **The Best Bank in the field of trade finance in Poland**

For the fourth time, we have received the "The Best Trade Finance Provider in Poland for 2022" award by the international Global Finance magazine.

#### **The Best Custodian Bank in Poland**



For the fifth time in a row, we have received the "Best Sub-custodian Bank in Poland for 2022" award from the Global Finance magazine. The ranking assesses: the quality of relations with foreign institutional clients and the level of their service, knowledge of the market, price offer, IT systems and operating activities in the field of settlements of transactions in securities.

#### **The leader on the Polish market in the field of trade finance according to Euromoney**

Market Leader in Poland 2022 "and" Best Services in Poland 2022 "in a competition organized by the prestigious Euromoney magazine.

#### **The best provider of treasury, investment and currency exchange services in Poland**

We have obtained the title of "Best Treasury and Cash Management Provider" and "Best Corporate FX Award" in Poland.

#### **Pekao TFI Pekao TFI - Laureate of the Polish Promotional Emblem Teraz Polska**

Pekao TFI's specialized investment programs supporting regular savings have been awarded with the Polish Promotional Emblem Teraz Polska in the service category.

## 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.

2021 was a time of dynamic economic recovery, supported by the successes in fight against the pandemic and growing optimism. Polish GDP eventually grew by 5.9% y/y, reflecting the recovering business climate. For 2022, however, we forecast a slowdown in economic growth to 4.5% y/y after such a strong rebound in the previous year. This will be mainly due to the weakness of private consumption in Poland and the European Union (including consequences of very high inflation), tightening of monetary policy, possible delays in public investment, as well as the direct and indirect effects of the war in Ukraine. Economic outlook will have an impact on demand for banking products and possible 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. The economic situation and very high inflation (and its forecasts) have prompted the Monetary Policy Council to start a cycle of interest rate increases as early as October 2021. Over the past few months, the reference rate has been raised in several steps from 0.1% to 6.5%, already its highest level since 2004, and we expect it to eventually reach 7.5%. An environment of rising interest rates - especially in the current, very "steep" cycle - is a favourable situation for banks, which will translate into an improvement in their net interest income, the key part of the sector's operating income. On the other hand, however, high rates may have a negative impact on the demand for credit, as well as on the quality of the existing loan portfolio (possible problems with repayments for some borrowers).

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. Following temporary reductions in BFG contributions in 2021, these returned to the pre-pandemic trend again this year and thus have increased markedly. The tax and regulatory environment for the sector remains very restrictive, which, combined with the uncertain 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 ruling of CJEU from 3 October 2019) 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 the expected legal risk – they have strongly impacted the financial results for last two years. 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. 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.

The war in Ukraine, high prices of raw materials, especially gas translate into higher inflation. The government wants to help Polish families who pay higher credit mortgage installments due to increased interest rates.

On 14 July, 2022, the Act on social financing for business ventures and support to borrowers was signed, as a result of which customers with PLN mortgage loan agreements were granted the right to suspend loan repayment on the following terms:

- from 1 August 2022 to 30 September 2022 – for a period of two months,
- from 1 October 2022 to 31 December 2022 - for a period of two months,
- from 1 January 2023 to 31 December 2023 - one month in each calendar quarter.

On the basis of the above-mentioned Of the Act, lenders were also required to make additional contributions to the Borrowers Support Fund in the total amount of PLN 1.4 billion by December 31, 2022. The exact date of payment and the amount of the premium for a given lender will be determined by a resolution by the Council of the Borrowers Support Fund.

## 6.5 Description of major sources of risk and threats relating to the remaining months of 2022

### 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 also identifies environmental, social and governance risk (ESG risk) currently considered insignificant in its operations. The Group will develop its own ESG risk methodology following the publication of regulatory guidelines.

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 36 to the Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the first half of 2022 and in the document "Information in respect to capital adequacy of Bank Pekao S.A. Group as at 30 June 2022" published on the Bank's website.

### Risks related to the remaining months of 2022

In the second half of 2022, 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 Credit Risk Policy taking into account among the others measures limiting the threats coming from macroeconomic factors related to the COVID-19 pandemic and the armed conflict in Ukraine 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 macroeconomic situation.

In the case of liquidity and market risks the main challenges are related to the continuation interest rates rises and regulatory changes such as the introduction of credit holidays or the abandoning of WIBOR. Increasing interest rates encourage clients to manage deposits actively, which translates into changes in the Bank's funding structure.

Nevertheless in the area of liquidity risk 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 safe liquidity level in the second half of 2022. As to market risk, the Bank is to keep the level of its exposure strictly under control.

The Bank does not identify any new significant factors implying change of operational risk profile, which could occur in the second half of 2022.

## 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.

The Bank invests in training, professional development (in line with their preferences and abilities) cares for the well-being of employees, and creation of a friendly work environment and it conducts questionnaire surveys on employees opinion and satisfaction. Significant area of the Bank's HR policy is outstanding talents spotting within the organization and investing in development of their skills.

### Training and professional development

The Bank creates learning opportunities and provides access to various forms of training for its employees. Educational activities focus on realization of in-class training programs, remote training, on-the-job learning, coaching and Virtual Class system allowing for distance learning in form of Webinars.

In the first half of 2022, the main training priorities of the Bank were as follow:

- training for managerial staff
- professional knowledge development of the Bank's employees,
- implementation of cybersecurity trainings,
- realization of mandatory training required under internal and external regulations.

The Bank continued realization of training projects related with implementation of adopted business strategies. Training programs for employees with high potential and training for new employees were conducted.

Leadership Academy and the Retail Manager Academy are two key training and development programs implemented for the managerial staffs, which cover almost 1,500 employees from various levels of the organization. In addition to the compelling training program, participants can benefit from inspirational lectures designed for the leadership community.

Among the main development projects implemented in the first half of 2022, the Academy of the Future is also a comprehensive development project prepared by an experienced team of experts who have specialized in the competences of the future for many years. Each of the 9 webinars carried out as part of the project provides a powerful injection of knowledge in a given subject area, and additional workshops enable its deepening and application in practice. Additionally, the participants have at their disposal a Library of Inspirations with materials that will allow them to expand selected competences of the future.

A series of online lectures and workshops were also conducted to improve competences in the field of professional sales, which are necessary in the financial market today. The Sales Force consists of 36 sales workshops, 3 inspirational lectures carried out to introduce our employees to the latest trends and sales techniques in the banking sector. Such a wide range of topics allows you to broaden your horizons, gain inspiration and develop your sales skills.

The development of modern technologies is very important to us. In the Laboratory of Innovation at the bank, we look at new products on the market. We test new technological initiatives created at the bank, also cooperating with external partners. Thanks to this approach, we help our employees to fully use their potential.

The Bank also continues the Robotization Academy program, which allows you to develop digital competences and use automation on a daily basis. He teaches himself to build robots for his own needs. An original training program developed by our practitioners in cooperation with an external company - one of the largest suppliers of automation solutions in the world.

In the first half of 2022, the Bank delivered in form of class room above 142 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 107 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 2022, are consistently implemented 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 2022, above 8 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.

### **Pro-Wellness activities**

On the website "Take health by the horns!", We support and educate employees in 4 areas: healthy eating, physical activity, mental health and prevention.

In the first half of 2022, we implemented two healthy eating programs. The first was to encourage dietary changes and healthy eating habits, the second was to maintain a healthy body weight. We also organized series of meetings with psychologists, incl. how to deal with stress, difficulties and adversities as well as with unexpected events.

Additionally, due to the political situation in February this year meetings were organized to deal with the emotions that could arise among employees from the war in Ukraine, and the possibility of obtaining individual psychological advice, both stationary and in the form of an anonymous phone call, was launched. For people involved in helping refugees, an on-line meeting was held with a crisis intervention, who shared practical tips on how to help wisely and at the same time remember about their resources, which are necessary to help others.

As a prophylaxis, a recording and articles on preparation for the ski season, tick-borne diseases, allergies, and the sun's impact on wrinkles, cancer and level of vitamin D prepared by the medical service provider, were proposed. Additionally, people were encouraged to quit smoking through the implementation of the "Give up addiction - get HEALTH" program, which revealed the rules of the addiction mechanism and provided knowledge on traditional and unconventional ways to combat addiction. From one meeting to another, people were encouraged to limit the number of cigarettes smoked. Over 3.5 thousand participants took part in the activities offered as part of the website.

### **Apprenticeship programs**

One of the annual objectives of the Bank is to obtain a certain number of students and graduates of the best universities in Poland and abroad, offering them career development within the organization:

In order to realize the above mentioned objective the internship programs for talented students and graduates who want to take their first professional steps in the banking sector. In 2022, Bank Pekao S.A. launched recruitment for three programs:

- Corporate Banking Champions a four-month internship program and at the same time an opportunity to learn the secrets of working in corporate and investment banking from the inside.
- IT Champions offers internships in the area of technology (IT and security).
- Żubr Academy - a wide range of offers from many departments as part of the 2-month summer internship program, which will allow for a better understanding of the bank's operation, getting to know its specific areas and mutual exchange of experiences.

### **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 Ordinance of May 31, 2022 and on June 15, 2022 the General Meeting of Shareholders approved the Remuneration Policy for Members of the Management Board and Members of the Supervisory Board. Remuneration Policy reflects the mission and values in the Bank's approach to remuneration systems. The main changes in the Remuneration Policy concern in particular the introduction of provisions emphasizing the gender-neutral nature of the policy as well as the specification of provisions regarding the part of variable remuneration.

### **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. In addition to medical care, the Bank's employees have the opportunity to take advantage of a renovation or housing loan on preferential terms, as well as co-financing for holidays, cultural, educational, sports or recreation activities.

### **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 2022 the Bank carried out the 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.

### **Management Position Identification Policy**

The policy of identifying managerial positions was announced in the Bank by the Ordinance of January 11 2022.

The purpose this Policy is to communicate the tasks performed by individual units and Bank authorities in the identification process, the course of the process and the procedure for updating the list of identified positions, as well as to indicate the criteria used by the Bank in the process of determining which positions have a significant impact on the Bank's risk profile. The Bank's Management Board approved the list of management positions for 2022.



**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.

Organizational culture of the Bank is shaped by the values defined by the words "SIMPLY", "TOGETHER", "BRAVE" and "RESPONSIBLE". They set the standard of conduct for the Bank's employees, at the same time building their commitment around common goals in everyday activities. They were created thanks to the five thousand votes of our employees who jointly developed the foundations of a new organizational culture.

In the first half of 2022, many initiatives were launched to communicate and promote the style of work based on the values adopted in the previous year - so that they become the applicable norm.

In the spirit of the slogan "TOGETHER we can do more", together with the employees, the second edition of the "INNaczej" ("Otherwise") magazine was prepared, the theme of which was values in innovation. The bank's employees shared their knowledge and practices in the implementation of innovative projects and initiatives implemented in the spirit of new values.

Another edition of the "Cooperation Stars" competition aimed at promoting attitudes open to cooperation was held, and another workshop "Let's do it simply" was held, devoted to the simplification of business processes.

**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 2022, 17 stationary meetings took place and due to the COVID-19 pandemic - 6 "teleconferences" with the social side.

The meetings and arrangements concerned mainly the level of remuneration and employees' motivation in 2022. As the result of these talks, two arrangements were conducted in the first half of 2022. On April, 26th 2022 Bank and six trade union organizations conducted 'Agreement concerning the amount of financial resources dedicated for Bank employees covered by Collective Labour Agreement in 2022'. On June, 13th 2022 Bank together with seven trade union organizations conducted Agreement concerning the distribution of motivational rewards fund for 2021, mentioned in Collective Labour Agreement.

In the first half of 2022 there were four collective disputes in the Bank, initiated successively in 2016, 2019 and 2021 by one of the trade union operating in the Bank and one collective dispute initiated in 2021 by another trade union operating in the Bank. On April, 20th 2022, Bank together with one of the trade union organization signed the Agreement ending the dispute, submitted on July, 26th 2021. Additionally, Bank signed the Protocol of divergence concerning the collective dispute initiated in 2016 with another trade union organization.

Trade union organizations can place on the Bank's intranet sides their newsletters and information concerning critical employees' matters, including the status of dialogue conducted with employer.

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**

The Works 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 Works 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 Works Council with the employer is posted in the form of messages on intranet sites and is available to all employees of the Bank.

**Workforce in number**

As at the end of June 2022 the Group employed 14 708 employees (in the Bank and the companies consolidated under full consolidation method) as compared to 14 702 employees as at the end of 2021. As at the end of June 2022, the Bank employed 12 605 employees as compared to 12 661 employees as at the end of 2021. The average age of the employees was 45,8 years, 74,6 % of the employees are university graduates, women represent 69,9 % 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 31 June, 2022 and 2021 respectively is presented in Interim Condensed Separate Financial Statements of Bank Pekao S.A. for the first half of 2022.

The Report on activities of Bank Pekao S.A. Group for the first half of 2022, 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.

### Main P&L items

In the first half of 2022, we generated the net profit of the Bank Pekao S.A. Capital Group, attributable to the Bank's shareholders in the amount of PLN 1,375.1 million. This result was higher by PLN 524.7 million than the result achieved in the first half of 2021, thanks to higher operating income, cost discipline with an increase in costs significantly below inflation, despite one-off events with a negative impact on the result, mainly the creation of a provision in the amount of PLN 440.3 million gross for a contribution to the newly created Institutional Protection Schemes (IPS) and update of the provision for legal risk related to foreign currency mortgage loans in the amount of PLN 419.3 million gross.

In the first half of 2022, ROE was at the level of 11.9%.

In the first half of 2022, the Group's operating income amounted to PLN 5,911.5 million and was higher by 43.5% in comparison with the first half of 2021, thanks to both net interest income and net fee and commission income.

- Net interest income in the first half of 2022, amounted to PLN 4,635.6 million and was higher by PLN 1,962.5 million, i.e. 73.4% in comparison with the first half of 2021.
- The Group's net fee and commission income in the first half of 2022, amounted to PLN 1,420.9 million and was higher by PLN 132.3 million i.e. 10.3% compared to first half 2021, mainly due to customer activity and the adaptation of the offer to the changing market conditions.

In the first half of 2022, the Group's operating costs amounted to PLN 2,063.6 million and were higher by PLN 92.8 million, i.e. 4.7% compared to first half of 2021, significantly below inflation. In the second quarter of 2022, there were one-off costs in the IT area in the amount of approximately PLN 83 million gross

Net allowances for expected credit losses excluding provisions for legal risk regarding foreign currency mortgage loans in CHF amounted to PLN 356.3 million in the first half of 2022, and was lower by PLN 6.2 million, i.e. 1.7% as compared to first half of 2021, thanks to the gradual normalization of risk costs to the levels observed before of the pandemic. In the first half of 2022, the Group created provisions for the legal risk of foreign currency mortgage loans in the amount of PLN 419.3 million, which charged the result on write-offs in the amount of PLN 308.7 million and other operating costs in the amount of PLN 110.6 million.

In the first half of 2022 the Bank Guarantee Fund fee amounted to PLN 324.3 million, and were higher by PLN 92.1 million compared to first half of 2021.

On June 7, 2022, the Management Board and Supervisory Board of the Bank adopted resolutions on consent to submitting an application to the Polish Financial Supervision Authority for approval and recognition of the protection scheme the members of which are banks operating in the form of a joint-stock company with the draft agreement on the protection scheme referred to in Art. 4 sec. 1 point 9a of the Act of August 29, 1997 - Banking Law. In the first half of 2022, the Bank created a provision in the amount of PLN 440.3 million gross for payment to the above protection system.

Tax on certain financial institutions in the first half of 2022 amounted to PLN 416.1 million and was higher by PLN 62.9 million, i.e. 17.8% as compared to first half of 2021, due to an increase in Group's assets.

### Volumes

As at the end of June 2022, loans and advances at nominal value amounted to PLN 179,586.9 million, an increase of PLN 10,610.5 million, i.e. 6.3% in comparison to the end of June 2021. As at the end of June 2022, the volume of retail loans amounted to PLN 80,800.9 million, an decrease of PLN 126.0 million, i.e. 0.2%. As at the end of June 2022, corporate loans and non-treasury debt securities amounted to PLN 98,786.0 million, an increase of PLN 10,736.5 million, i.e. 12.2% in comparison to the end of June 2021, however with the growth in the segment of enterprises (27% y/y) and leasing receivables.

As at the end of June 2022, amounts due to the Group's customers and debt securities issued amounted to PLN 211,120.3 million, an increase of PLN 11,179.8 million, i.e. 5.6% in comparison to the end of June 2021.

The value of net assets of investment funds managed by Pekao TFI S.A. amounted to PLN 17,430.6 million as at the end of June 2022, an decrease of PLN 3,991.0 million, i.e. 18.6% in comparison to the end of June 2021.

## 8.1 The consolidated income statement – presentation form

In the first half of 2022, we generated the net profit of the Bank Pekao S.A. Group attributable to the Bank's shareholders amounted to PLN 1,375.1 million. Net profit was higher by PLN 524.7 million than the result achieved in the first half of 2021, mainly due to higher operating income.

(in PLN million)

	1 HALF OF 2022	1 HALF OF 2021	CHANGE
<b>Net interest income</b>	<b>4,635.6</b>	<b>2,673.1</b>	<b>73.4%</b>
<b>Net fee and commission income</b>	<b>1,420.9</b>	<b>1,288.6</b>	<b>10.3%</b>
Dividend income	26.3	25.6	2.7%
Trading result	4.7	129.8	(96.4%)
Net other operating income and expenses (*)	(176.0)	3.2	x
<b>Net non-interest income (*)</b>	<b>1,275.9</b>	<b>1,447.2</b>	<b>(11.8%)</b>
<b>Operating income (*)</b>	<b>5,911.5</b>	<b>4,120.3</b>	<b>43.5%</b>
<b>Operating costs</b>	<b>(2,063.6)</b>	<b>(1,970.8)</b>	<b>4.7%</b>
<b>Gross operating profit (*)</b>	<b>3,847.9</b>	<b>2,149.5</b>	<b>79.0%</b>
Net allowances for expected credit losses	(665.0)	(367.9)	80.8%
<b>Net operating profit</b>	<b>3,182.9</b>	<b>1,781.6</b>	<b>78.7%</b>
Bank Guarantee Fund fee	(324.3)	(232.2)	39.7%
Fee paid for the Protection Schemes	(440.3)	-	x
Tax on certain financial institutions	(416.1)	(353.2)	17.8%
Gains (losses) on associates	1.7	0.4	>100%
<b>Profit before tax</b>	<b>2,003.9</b>	<b>1,196.6</b>	<b>67.5%</b>
Income tax expense	(627.3)	(345.1)	81.8%
<b>Net profit</b>	<b>1,376.6</b>	<b>851.5</b>	<b>61.7%</b>
<b>Attributable to equity holders of the Bank</b>	<b>1,375.1</b>	<b>850.4</b>	<b>61.7%</b>
Attributable to non-controlling interest	1.5	1.0	50.0%

### Operating income

In the first half of 2022, the Group's operating income amounted to PLN 5,911.5 million and was higher by 43.5% in comparison with the first half of 2021, thanks to both net interest income and net fee and commission income.

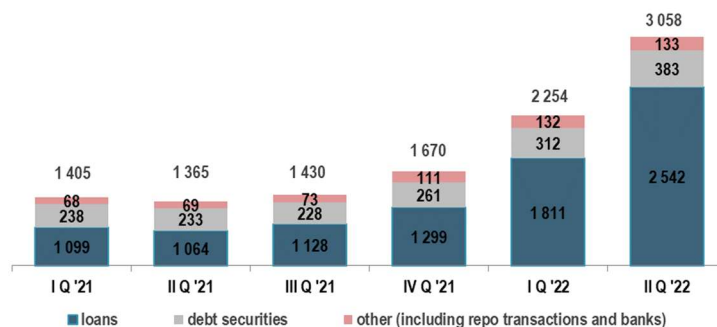
### Total net interest income

(in PLN million)

	1 HALF OF 2022	1 HALF OF 2021	CHANGE
Interest income	5,312.3	2,769.7	91.8%
Interest expense	(676.7)	(96.6)	> 100%
<b>Net interest income</b>	<b>4,635.6</b>	<b>2,673.1</b>	<b>73.4%</b>

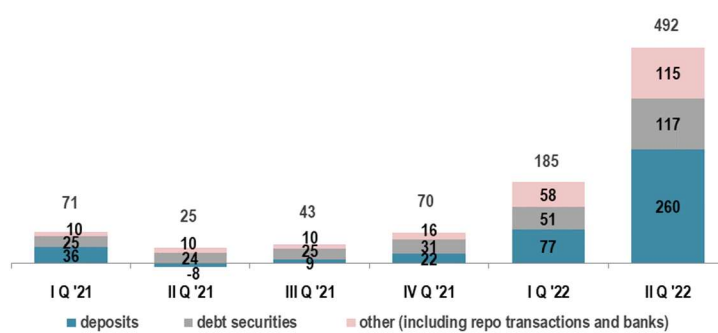
Net interest income in the first half of 2022, amounted to PLN 4.635.6 million and was higher by PLN 1,962.5 million, i.e. 73.4% in comparison with the first half of 2021.

### Interest income



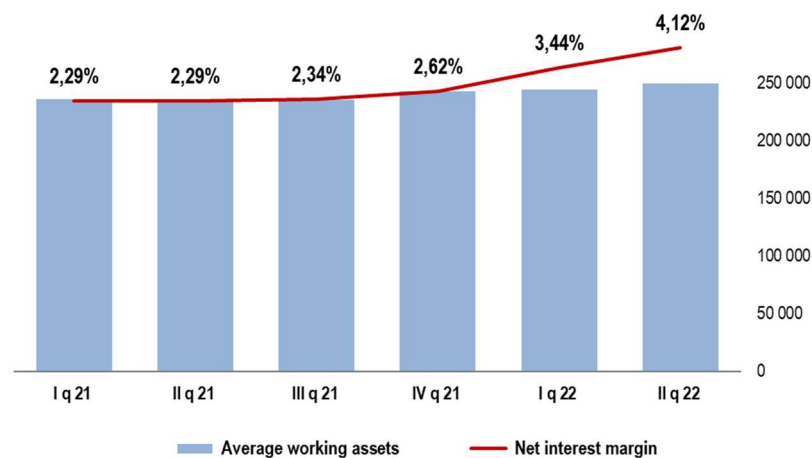
In the first half of 2022, the interest income amounted to PLN 5,312.3 million and was higher by PLN 2,542.6 million y/y, mainly due to the increase in market interest rates in the first half of 2022.

### Interest expense



In the first half of 2022, the interest expense amounted to PLN 676.7 million and was higher by PLN 580.1 million y/y, due to the adaptation of the Bank's product offer to market conditions and customer expectations.

### Interest margin



The interest margin achieved in the first half of 2022 was 3.79% and was higher by 1.49 p.p. than the margin achieved in comparison with the first half of 2021.

### Net non-interest income

(in PLN million)

	1 HALF OF 2022	1 HALF OF 2021	CHANGE
Fee and commission income	1,703.2	1,537.6	10.8%
Fee and commission expense	(282.3)	(249.0)	13.4%
<b>Net fee and commission income</b>	<b>1,420.9</b>	<b>1,288.6</b>	<b>10.3%</b>
Dividend income	26.3	25.6	2.7%
Trading result	4.7	129.8	(96.4%)
Net other operating income and expense	(176.0)	3.2	x
<b>Net non-interest income</b>	<b>1,275.9</b>	<b>1,447.2</b>	<b>(11.8%)</b>

The non-interest income in the first half of 2022 amounted to 1,275.9 and was lower by PLN 171.3 million, i.e. 11.8% compared to the result achieved in the previous year, mainly due to the creation of a provision for legal risk related to currency mortgage loans in the amount of PLN 110.6 million, revaluation of real estate in the amount of PLN 47.3 million and a lower result on commercial activities.

The Group's net fee and commission income in the first half of 2022, amounted to PLN 1,420.9 million and was higher by PLN 132.3 million i.e. 10.3% compared to first half 2021, mainly due to customer activity and the adaptation of the offer to the changing market conditions.

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 2022	1 HALF OF 2021	CHANGE
<b>Net fee and commission income</b>	<b>1,420.9</b>	<b>1,288.6</b>	<b>10.3%</b>
on loans	272.4	261.8	4.0%
on cards	145.1	120.4	20.5%
on mutual funds	151.1	183.1	(17.5%)
on brokerage activate	66.2	73.1	(9.4%)
on margins on foreign exchange transactions with clients	372.5	264.5	40.8%
other	413.6	385.7	7.2%

### Operating costs

In the first half of 2022, the Group's operating costs amounted to PLN 2,063.6 million and were higher by PLN 92.8 million, i.e. 4.7% compared to first half of 2021, significantly below inflation. In the second quarter of 2022, there were one-off costs in the IT area in the amount of approximately PLN 83 million gross (in the line Other administrative costs and depreciation of property, plant and equipment and intangible assets).

(in PLN million)

	1 HALF OF 2022	1 HALF OF 2021	CHANGE
Personnel expenses	(1,139.4)	(1,179.0)	(3.4%)
Other administrative expenses and depreciation and amortization	(924.2)	(791.8)	16.7%
<b>Operating costs</b>	<b>(2,063.6)</b>	<b>(1,970.8)</b>	<b>4.7%</b>

In the first half of 2022, cost / income ratio amounted to 34.9% and was lower by 12.9 p.p. y/y.

As of 30 June 2022, the Group employed 14,708 employees (in the Bank and the companies consolidated under full consolidation method) as compared to 15,540 employees as at the end of June 2021, in line with the Strategy.

### Bank Guarantee Fund fee

In the first half of 2022 the Bank Guarantee Fund fee amounted to PLN 324.3 million, and were higher by PLN 92.1 million compared to first half of 2021.

### Fee paid for the Protection Schemes

On June 7, 2022, the Management Board and Supervisory Board of the Bank adopted resolutions on consent to submitting an application to the Polish Financial Supervision Authority for approval and recognition of the protection scheme the members of which are banks operating in the form of a joint-stock company with the draft agreement on the protection scheme referred to in Art. 4 sec. 1 point 9a of the Act of August 29, 1997 - Banking Law. In the first half of 2022, the Bank created a provision in the amount of PLN 440.3 million gross for payment to the above protection system.

### Tax on certain financial institutions

Tax on certain financial institutions in the first half of 2022 amounted to PLN 416.1 million and was higher by PLN 62.9 million, i.e. 17.8% as compared to first half of 2021, due to an increase in Group's assets.

## 8.2 Net allowances for expected credit losses

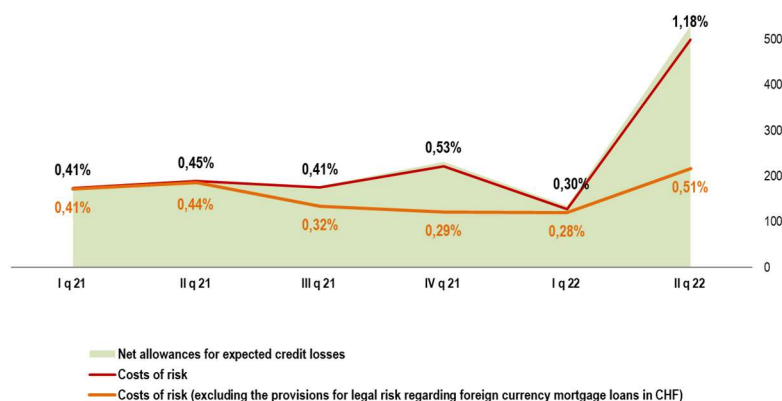
(in PLN million)

	GROUP		BANK PEKAO S.A.	
	1 HALF OF 2022	1 HALF OF 2021	1 HALF OF 2022	1 HALF OF 2021
financial assets measured at amortized cost excluding provisions for legal risk regarding foreign currency mortgage loans in CHF	(345.7)	(464.3)	(325.3)	(459.3)
financial assets measured at fair value through other comprehensive income	2.1	46.2	9.9	45.3
financial liabilities measured at amortized cost	(12.8)	55.5	8.2	80.6
<b>Net allowances for expected credit losses excluding provisions for legal risk regarding foreign currency mortgage loans in CHF</b>	<b>(356.3)</b>	<b>(362.5)</b>	<b>(307.1)</b>	<b>(333.5)</b>
financial assets measured at amortized cost - provisions for legal risk regarding foreign currency mortgage loans in CHF	(308.7)	(5.4)	(308.0)	(2.1)
<b>Net allowances for expected credit losses</b>	<b>(665.0)</b>	<b>(367.9)</b>	<b>(615.1)</b>	<b>(335.5)</b>

Net allowances for expected credit losses excluding provisions for legal risk regarding foreign currency mortgage loans in CHF amounted to PLN 356.3 million in the first half of 2022, and was lower by PLN 6.2 million, i.e. 1.7% as compared to first half of 2021, thanks to the gradual normalization of risk costs to the levels observed before of the pandemic.

In the first half of 2022, the Group created provisions for the legal risk of foreign currency mortgage loans in the amount of PLN 419.3 million, which charged the result on write-offs in the amount of PLN 308.7 million and other operating costs in the amount of PLN 110.6 million.

### Costs of risk



The costs of risk excluding provisions for legal risk regarding foreign currency mortgage loans in CHF in the first half of 2022 amounted to 0.40% and were comparable to the level from the year before.

### 8.3 The structure of the net profit

(in PLN million)

	1 HALF OF 2022	1 HALF OF 2021	CHANGE
<b>Net profit of Bank Pekao S.A.</b>	<b>1 460,5</b>	<b>891,1</b>	<b>63,9%</b>
<b>Entities consolidated under full method</b>			
Pekao Leasing Sp. z o.o.	62,5	37,8	65,3%
Pekao Investment Management S.A.	29,4	42,2	(30,3%)
Pekao Faktoring Sp. z o.o.	19,2	19,4	(1,0%)
Pekao Financial Services Sp. z o.o.	4,6	3,1	48,4%
Pekao Investment Banking S.A.	4,1	7,3	(43,8%)
Centrum Kart S.A.	3,9	4,1	(4,9%)
Pekao Direct Sp. z o.o.	1,4	(0,1)	x
Pekao Fundusz Kapitałowy Sp. z o.o. w likwidacji	0,0	(0,1)	x
FPB "MEDIA" Sp. z o.o. w upadłości	0,0	0,0	x
Pekao Property S.A. w likwidacji	(0,2)	(0,2)	x
PEUF Sp. z o.o. (*)	0,2		x
Pekao Bank Hipoteczny S.A.	(7,6)	2,0	x
Dom Inwestycyjny Xelion Sp. z o.o. (**)		0,9	x
<b>Entities valued under the equity method</b>			
Krajowy Integrator Płatności S.A. (***)	1,7	0,4	> 100%
Exclusions and consolidation adjustments (****)	(204,6)	(157,5)	29,9%
<b>Net profit of the Group attributable to equity holders of the Bank</b>	<b>1 375,1</b>	<b>850,4</b>	<b>61,7%</b>

(\*) In 2021, Pekao Leasing Sp. z o.o., a company of the Bank, acquired 100% of Metsi Sp. Z o.o. with its seat in Warsaw, which then changed its name to PeUF Sp. z o.o. in Warsaw, which constitutes 100% of the votes at the shareholders' meeting of PeUF Sp. z o.o. and deals with the distribution of the distribution.

(\*\*) On October 29, 2021, a promised agreement was signed for the sale of 100% of shares in Dom Inwestycyjny Xelion Sp. z o.o. - the Company's result for 10 months of 2021 is included in the Group's results.

(\*\*\*) On 31 March, 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.

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**Results of the Bank's major related entities*****Pekao Leasing Sp. z o.o. - Pekao Leasing***

In the first half of 2022, Pekao Leasing generated a net profit of **PLN 62.5 million**, compared to a profit of PLN 37.8 million in the first half of 2021. The result was achieved thanks to an increase in revenues by 34.4% y/y, while maintaining strict control of operating costs and risk costs.

***Pekao Investment Management S.A. - Pekao IM***

Consolidated net profit of Pekao IM in the first half of 2022 amounted to **PLN 29.4 million**, compared to PLN 42.2 million in the first half of 2021. The decrease in the result was due to the situation on the capital market, which translated into a decrease in the value of Pekao TFI assets and another statutory limitation of fixed remuneration rates for management from 1 January 2022 and the resulting adjustment of the remuneration policy for other funds.

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

In the first half of 2022, Pekao Faktoring generated a net profit of **PLN 19.2 million**, compared to a profit of PLN 19.4 million in the first half of 2021. Pekao Faktoring ranks first in the turnover on the Polish factoring market.

***Pekao Investment Banking S.A. - Pekao IB***

In the first half of 2022, Pekao IB achieved a net profit of **PLN 4.1 million**, compared to a profit of PLN 7.3 million in the first half of 2021. The profit was influenced by a smaller number of finalized transactions in the area of advisory services on the private and public capital market and debt advisory services compared to the same period last year.

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

In the first half of 2022, PFS generated a net profit of PLN 4.6 million (including the Bank's share of **PLN 3.0 million**), compared to a profit of PLN 3.1 million in the first half of 2021. The net result was higher mainly due to the effects of strict cost control, with an increase in revenues achieved, inter alia, from servicing the PPK program.

***Centrum Kart S.A. – Centrum Kart***

In the first half of 2022, Centrum Kart achieved a comparable net profit of **PLN 3.9 million**, compared to a profit of PLN 4.1 million in the first half of 2021.

***Krajowy Integrator Płatności S.A.- KIP***

In the first half of 2022, KIP generated a net profit of PLN 3.5 million (including the Bank's share of **PLN 1.7 million**), compared to a similar profit achieved in the first half of 2021.

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

In the first half of 2022, Pekao Direct reported a net profit of PLN 1.4 million compared to a loss of PLN 0.1 million in the first half of 2021. The improvement in the result was driven by the higher revenues obtained thanks to the growth of the customer base and increased business activity.

***Pekao Bank Hipoteczny S.A. - Pekao Bank Hipoteczny***

In the first half of 2022, Pekao Bank Hipoteczny reported a net loss of PLN 7.6 million, compared to a profit of PLN 2.0 million in the first half of 2021. The result was adversely affected by higher loan impairment charges as well as higher premiums and payments to the Bank Guarantee Fund.



**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 2022	1 HALF OF 2021	CHANGE
Net interest income	4,470.8	2,554.9	75.0%
Net non-interest income	1,286.1	1,393.9	(7.7%)
<b>Operating income</b>	<b>5,756.8</b>	<b>3,948.8</b>	<b>45.8%</b>
<b>Operating costs</b>	<b>(1,911.8)</b>	<b>(1,824.1)</b>	<b>4.8%</b>
<b>Gross operating profit</b>	<b>3,845.0</b>	<b>2,124.7</b>	<b>81.0%</b>
Net allowances for expected credit losses	(615.1)	(335.5)	83.3%
<b>Net operating profit</b>	<b>3,229.9</b>	<b>1,789.2</b>	<b>80.5%</b>
Bank Guarantee Fund fee	(321.7)	(230.5)	39.6%
Fee paid for the Protection Schemes	(440.3)	-	x
Tax on certain financial institutions	(416.1)	(353.2)	17.8%
Gains (losses) on subsidiaries	-	(0.2)	x
<b>Profit before tax</b>	<b>2,051.8</b>	<b>1,205.4</b>	<b>70.2%</b>
<b>Net profit</b>	<b>1,460.5</b>	<b>891.1</b>	<b>63.9%</b>

Net profit of Bank Pekao S.A. in the first half of 2022, amounted to PLN 1,460.5 million and was higher by PLN 569.4 million, than the result achieved in the first half of 2021, mainly due to higher operating income.

The main Bank's financial information are as follows:

	30.06.2022	30.06.2021	CHANGE
<b>STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS</b>			
(in PLN million)			
Loans and advances at nominal value <sup>(*)</sup>	168,003.4	156,909.2	7.1%
Amounts due to customers	201,239.6	192,340.0	4.6%
Structured Certificates of Deposit	726.7	48.4	>100%
Certificates of Deposit	2,000.0	-	x
Subordinated bonds	2,750.0	2,750.0	0.0%
Repo transactions	1,936.5	-	x
<b>Total assets</b>	<b>268,658.7</b>	<b>233,282.2</b>	<b>15.2%</b>
Investment funds distributed through the Bank's network	15,849.2	19,807.4	(20.0%)
<b>Total capital ratio in %</b>	<b>18.4%</b>	<b>20.6%</b>	<b>(2.2) p.p.</b>

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

Loans and advances at nominal value at the end of June 2022 amounted to PLN 168,003.4 million and were higher by PLN 11,094.2 million, i.e. 7.1% than at the end of June 2021. At the end of June 2022, retail loans amounted to PLN 78,138.9 million, and corporate loans - PLN 76,260.3 million.

Amounts due to customers, Structured Certificates of Deposit, Certificates of Deposit and Subordinated Bonds at the end of June 2022 amounted to PLN 206,716.3 million and were higher by PLN 11,577.9 million, i.e. 5.9% compared to the end of June 2021.

Net assets of investment funds managed by Pekao TFI S.A. distributed by the Bank's network at the end of June 2022 amounted to PLN 15,849.2 million and was lower by PLN 3,958.2 million, i.e. 20.0% compared to the end of June 2021.

## 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 2022, the total assets of Bank Pekao S.A. constitutes 96.8% of the total assets of the whole Group.

ASSETS	30.06.2022		30.06.2021		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Cash and due from Central Bank	12,865.8	4.6%	7,606.8	3.1%	69.1%
Loans and advances to banks <sup>(*)</sup>	10,100.5	3.6%	2,209.3	0.9%	>100%
Loans and advances to customers <sup>(**)</sup>	172,308.2	62.1%	163,174.9	67.1%	5.6%
Reverse repo transactions	1,332.6	0.5%	990.0	0.4%	34.6%
Securities <sup>(***)</sup>	54,501.6	19.6%	58,258.0	24.0%	(6.4%)
Investments in associates	45.1	0.0%	42.5	0.0%	6.1%
Property, plant and equipment and intangible assets	3,757.0	1.4%	3,975.8	1.6%	(5.5%)
Other assets	22,657.2	8.2%	6,835.8	2.8%	>100%
<b>Total assets</b>	<b>277,568.0</b>	<b>100.0%</b>	<b>243,093.1</b>	<b>100.0%</b>	<b>14.2%</b>

(\*) 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	30.06.2022		30.06.2021		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Amounts due to Central Bank	-	-	-	-	x
Amounts due to other banks	12,520.5	4.5%	7,833.6	3.2%	59.8%
Amounts due to customers	200,938.5	72.4%	192,069.1	79.0%	4.6%
Debt securities issued	7,399.2	2.7%	5,113.6	2.1%	44.7%
Subordinated liabilities	2,782.5	1.0%	2,757.8	1.1%	0.9%
Repo transactions	1,936.5	0.7%	-	-	x
Lease liabilities	339.1	0.1%	393.1	0.2%	(13.7%)
Other liabilities	30,134.6	10.9%	9,361.2	3.9%	>100%
Total equity, including	21,517.1	7.8%	25,564.7	10.5%	(15.8%)
non-controlling interests	11.7	0.0%	11.2	0.0%	4.5%
<b>Total equity and liabilities</b>	<b>277,568.0</b>	<b>100.0%</b>	<b>243,093.1</b>	<b>100.0%</b>	<b>14.2%</b>

**Customers' Financing  
Armed conflict in Ukraine**

On 24 February 2022, there was an armed attack by Russia and Belarus on Ukraine. On the day the conflict broke out, the Bank launched increased monitoring of the situation of customers from Russia, Belarus and Ukraine.

In terms of credit risk, the Group identifies the following threats:

- credit loss risk for exposures to entities from Russia, Belarus and Ukraine, with the Bank's exposure in this regard mostly covered by KUKI policies,
- the risk that the conflict will translate into deterioration of the economic and credit conditions for the rest of the portfolio (through the raw material price growth channel, disruption of economic relations, deterioration of consumer sentiment, etc.).

As at 30 June 2022, the Group's balance sheet net exposure to countries involved in the conflict amounted to 254 million (which represents 0.15% of the Group's total exposure).

**Customer structure of loans and advances**

(in PLN million)

	30.06.2022	30.06.2021	CHANGE
<b>Loans and advances at nominal value <sup>(*)</sup></b>	<b>179,586.9</b>	<b>168,976.4</b>	<b>6.3%</b>
Loans and investments in financial leases	169,172.5	159,226.2	6.2%
Retail	80,800.9	80,926.9	(0.2%)
Corporate	88,371.6	78,299.3	12.9%
Non-treasury debt securities	10,414.4	9,750.2	6.8%
Other <sup>(**)</sup>	1,513.8	1,888.4	(19.8%)
<b>Impairment allowances</b>	<b>(8,792.5)</b>	<b>(7,689.9)</b>	<b>14.3%</b>
<b>Total net receivables</b>	<b>172,308.2</b>	<b>163,174.9</b>	<b>5.6%</b>
Reverse repo transactions	1,330.7	990.0	34.4%
<b>Total Customers' financing <sup>(***)</sup></b>	<b>180,917.6</b>	<b>169,966.4</b>	<b>6.4%</b>

<sup>(\*)</sup> Excluding reverse repo transactions.

<sup>(\*\*)</sup> Including interest and receivables in transit.

<sup>(\*\*\*)</sup> 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 2022, loans and advances at nominal value amounted to PLN 179,586.9 million, an increase of PLN 10,610.5 million, i.e. 6.3% in comparison to the end of June 2021.

As at the end of June 2022, the volume of retail loans amounted to PLN 80,800.9 million, a decrease of PLN 126.0 million, i.e. 0.2%.

As at the end of June 2022, corporate loans and non-treasury debt securities amounted to PLN 98,786.0 million, an increase of PLN 10,736.5 million, i.e. 12.2% in comparison to the end of June 2021, however with the growth in the segment of enterprises (27% y/y) and leasing receivables.

**Receivables and impairment losses <sup>(\*)</sup>**

(in PLN million)

	30.06.2022	30.06.2021	CHANGE
<b>Gross receivables</b>	<b>181,100.7</b>	<b>170,864.8</b>	<b>6.0%</b>
Stage 1	148,814.8	133,113.3	11.8%
Stage 2	22,125.2	27,714.0	(20.2%)
Stage 3	10,160.7	10,037.5	1.2%
<b>Impairment allowances</b>	<b>(8,792.5)</b>	<b>(7,689.9)</b>	<b>14.3%</b>
Stage 1	(706.4)	(465.7)	51.7%
Stage 2	(1,396.3)	(1,206.5)	15.7%
Stage 3	(6,689.8)	(6,017.7)	11.2%
<b>Total net receivables</b>	<b>172,308.2</b>	<b>163,174.9</b>	<b>5.6%</b>

<sup>(\*)</sup> 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 2022 the ratio of impaired receivables (stage 3) to the gross receivables amounted to 5.6 %.

**Loans and advances to customers by currency <sup>(\*)</sup>**

	30.06.2022		30.06.2021		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Denominated in PLN	147,043.1	81.2%	140,664.2	82.3%	4.5%
Denominated in foreign currencies <sup>(**)</sup>	34,057.6	18.8%	30,200.6	17.7%	12.8%
<b>Total</b>	<b>181,100.7</b>	<b>100.0%</b>	<b>170,864.8</b>	<b>100.0%</b>	<b>6.0%</b>
Impairment allowances	(8,792.5)	x	(7,689.9)	x	14.3%
<b>Total net</b>	<b>172,308.2</b>	<b>x</b>	<b>163,174.9</b>	<b>x</b>	<b>5.6%</b>

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

<sup>(\*\*)</sup> 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 2022, their share was 81.2%. The largest portion of foreign currency loans and advances to customers were represented by those denominated in EUR (85.9%), CHF (7.9%) and USD (4.6%).

**Loans and advances to customers by contractual maturities <sup>(\*)</sup>**

	30.06.2022		30.06.2021		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current and up to 1 month	22,003.9	12.2%	15,029.8	8.8%	46.4%
1 to 3 months	8,522.2	4.7%	7,026.7	4.1%	21.3%
3 months to 1 year	17,774.2	9.8%	19,388.0	11.3%	(8.3%)
1 to 5 years	58,191.4	32.1%	59,817.1	35.0%	(2.7%)
Over 5 years	68,051.2	37.6%	63,357.7	37.1%	7.4%
Past due	5,043.9	2.8%	4,357.1	2.6%	15.8%
Other	1,513.9	0.8%	1,888.4	1.1%	(19.8%)
<b>Total</b>	<b>181,100.7</b>	<b>100.0%</b>	<b>170,864.8</b>	<b>100.0%</b>	<b>6.0%</b>
Impairment allowances	(8,792.5)	x	(7,689.9)	x	14.3%
<b>Total net</b>	<b>172,308.2</b>	<b>x</b>	<b>163,174.9</b>	<b>x</b>	<b>5.6%</b>

<sup>(\*)</sup> 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 2022, loans and advances with maturity over 5 years represents 37.6% 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 Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the first half of 2022.

**External sources of financing**

(in PLN million)

	30.06.2022	30.06.2021	CHANGE
Amounts due to Central Bank	-	-	x
Amounts due to other banks	12,520.5	7,833.6	59.8%
Amounts due to customers	200,938.5	192,069.1	4.6%
Debt securities issued	7,399.2	5,113.6	44.7%
Subordinated liabilities	2,782.5	2,757.8	0.9%
Repo transactions	1,936.5	-	x
<b>Total external sources of financing</b>	<b>225,577.2</b>	<b>207,774.1</b>	<b>8.6%</b>

Amounts due to customers amounted to PLN 200,938.5 million, an increase by 4.6%.

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)

	30.06.2022	30.06.2021	CHANGE
<b>Corporate deposits</b>	<b>89,472.4</b>	<b>76,841.9</b>	<b>16.4%</b>
Non-financial entities	63,331.6	54,564.5	16.1%
Non-banking financial entities	6,073.9	5,153.8	17.9%
Budget entities	20,067.0	17,123.6	17.2%
<b>Retail deposits</b>	<b>110,655.7</b>	<b>114,743.0</b>	<b>(3.6%)</b>
Other (*)	810.4	484.2	67.4%
<b>Amounts due to customers(**)</b>	<b>200,938.5</b>	<b>192,069.1</b>	<b>4.6%</b>
<b>Debt securities issued, of which</b>	<b>10,181.8</b>	<b>7,871.4</b>	<b>29.4%</b>
Structured Certificates of Deposit (SCD)	726.7	48.4	>100%
Certificates of Deposit	2,000.0	-	x
Subordinated bonds	2,750.0	2,750.0	0.0%
Pekao Bank Hipoteczny S.A. covered bonds	935.9	1,270.3	(26.3%)
Pekao Bank Hipoteczny S.A. bonds	7.0	155.9	(95.5%)
Pekao Leasing Sp. z o.o. bonds	1,037.1	2,127.1	(51.2%)
Pekao Faktoring Sp. z o.o. bonds	2,642.9	1,509.2	75.1%
Interest	82.2	10.5	>100%
<b>Amounts due to customers and debt securities issued (**)</b>	<b>211,120.3</b>	<b>199,940.5</b>	<b>5.6%</b>
Lease liabilities	339.1	393.1	(13.7%)
Repo transactions	1,936.5	-	x
<b>Amounts due to customers and debt securities issued total (***)</b>	<b>213,395.9</b>	<b>200,333.5</b>	<b>6.5%</b>
<b>Investment funds of Pekao TFI S.A. (ex. Pioneer Pekao TFI)</b>	<b>17,430.6</b>	<b>21,421.6</b>	<b>(18.6%)</b>
Bond and money market funds	12,681.3	16,222.6	(21.8%)
Balanced funds	2,418.2	2,881.3	(16.1%)
Equity funds	1,909.1	2,123.3	(10.1%)
PPK	422.0	194.4	117.1%
including distributed through the Group's network	16,506.1	20,716.2	(20.3%)

(\*) 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 2022, amounts due to the Group's customers and debt securities issued amounted to PLN 211,120.3 million, an increase of PLN 11,179.8 million, i.e. 5.6% in comparison to the end of June 2021.

The total volume of retail deposits, Structured Certificates of Deposit and other amounted to PLN 112,150.2 million as at the end of June 2022, an decrease of PLN 3,056.7 million, i.e. 2.7% in comparison to the end of June 2021.

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 98,970.1 million as at the end of June 2022, an increase of PLN 14,236.5 million, i.e. 16.8% as compared to the end of June 2021.

The value of net assets of investment funds managed by Pekao TFI S.A. amounted to PLN 17,430.6 million as at the end of June 2022, an decrease of PLN 3,991.0 million, i.e. 18.6% in comparison to the end of June 2021.

**Amounts due to customers by currency <sup>(\*)</sup>**

	30.06.2022		30.06.2021		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Denominated in PLN	162,704.9	81.0%	160,756.6	83.7%	1.2%
Denominated in foreign currencies	38,233.6	19.0%	31,312.5	16.3%	22.1%
<b>Total</b>	<b>200,938.5</b>	<b>100.0%</b>	<b>192,069.1</b>	<b>100.0%</b>	<b>4.6%</b>

<sup>(\*)</sup> 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 2022 amounted to 81.0%. The majority of amounts due to customers denominated in foreign currencies were in EUR (65.5%) and USD (28.7%).

**Amounts due to customers by contractual maturities <sup>(\*)</sup>**

	30.06.2022		30.06.2021		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current accounts and overnight deposits	169,368.7	84.6%	175,493.0	91.6%	(3.5%)
Term deposits	30,759.4	15.4%	16,091.9	8.4%	91.1%
<b>Total deposits</b>	<b>200,128.0</b>	<b>100.0%</b>	<b>191,584.8</b>	<b>100.0%</b>	<b>4.5%</b>
Interest accrued	53.9	x	4.3	x	>100%
Funds in transit	756.6	x	480.0	x	57.6%
<b>Total</b>	<b>200,938.5</b>	<b>x</b>	<b>192,069.1</b>	<b>x</b>	<b>4.6%</b>

<sup>(\*)</sup> Excluding repo transactions and lease liabilities.

## 8.5 Provisions, deferred tax assets and liabilities

(in PLN million)

	GROUP		BANK PEKAO S.A.	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
<b>Total provisions</b>	<b>1,006.9</b>	<b>907.9</b>	<b>1,036.0</b>	<b>947.7</b>
of which:				
provisions for off-balance sheet commitments	377.3	328.1	437.3	387.4
provisions for liabilities to employees	288.4	407.1	279.6	398.4
other provisions	341.2	172.7	319.1	161.9
<b>Deferred tax liabilities</b>	<b>23.9</b>	<b>26.6</b>	-	-
<b>Deferred tax assets</b>	<b>1,680.9</b>	<b>1,415.8</b>	<b>1,391.7</b>	<b>1,105.1</b>

## 8.6 Off-balance sheet items

### Statement of Off-balance sheet items

(in PLN million)

	30.06.2022	30.06.2021	CHANGE
Contingent liabilities granted and received	85,506.2	76,787.8	11.4%
Liabilities granted:	58,165.1	54,894.6	6.0%
financial	45,451.0	41,284.5	10.1%
guarantees	12,714.1	13,610.1	(6.6%)
Liabilities received:	27,341.1	21,893.2	24.9%
financial	736.5	1,524.8	(51.7%)
guarantees	26,604.6	20,368.4	30.6%
Derivative financial instruments	482,392.3	404,445.4	19.3%
interest rate transactions	317,197.8	267,736.0	18.5%
transactions in foreign currency and in gold	157,280.7	132,219.7	19.0%
transactions based on commodities and equity securities	7,913.8	4,489.7	76.3%
<b>Total off-balance sheet items</b>	<b>567,898.5</b>	<b>481,233.1</b>	<b>18.0%</b>

Information on loan concentration is included in the Notes to the Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the first half of 2022.

## 8.7 Capital adequacy

### Bank Pekao S.A. Group

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 amending Regulation (EU) No 648/2012, which entered into force since January 1, 2014 together with further amendments, in particular Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 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, Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic, as well as Commission Implementing Regulations or Delegated Regulations (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 institutions.

According to law, the Group and the Bank are 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%.

Bank and Group do not have any capital requirement of Pillar II.

Combined buffer requirement as at 30 June 2022 consists of:

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

In total, Group and Bank are 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%.

The capital ratios of the Group and the Bank were significantly above the minimum required by the law.

<sup>1</sup> Countercyclical capital buffer was calculated as of June 30, 2022 at the level 0.0065% for Bank and 0.0062% for Group.

<sup>2</sup> According to the Regulation of the Minister of Finance, the systemic risk buffer was abolished on March 19, 2020. The buffer value applicable until that date was 3% of the total risk exposure amount for all exposures located only in the territory of the Republic of Poland.



As of June 30, 2022 Group total capital ratio amounted to 16.6% and common equity Tier I ratio amounted to 14.8%.

The table below presents the basic information concerning the Group capital adequacy as of June 30, 2022, December 31, 2021 and June 30, 2021.

(in PLN thousand)

<b>CAPITAL REQUIREMENT</b>	<b>30.06.2022</b>	<b>31.12.2021<sup>(*)</sup></b>	<b>30.06.2021<sup>(*)</sup></b>
Credit Risk	10,850,921	10,756,386	10,219,595
Market Risk	109,040	112,121	92,757
Counterparty credit risk including CVA	298,097	253,316	241,256
Operational risk	1,031,994	848,430	795,825
<b>Total capital requirement</b>	<b>12,290,052</b>	<b>11,970,253</b>	<b>11,349,434</b>
<b>OWN FUNDS</b>			
Common Equity Tier I Capital	22,679,596	23,659,934	23,394,265
Tier II Capital	2,750,000	2,750,000	2,750,000
<b>Own funds for total capital ratio</b>	<b>25,429,596</b>	<b>26,409,934</b>	<b>26,144,265</b>
<b>Common Equity Tier I Capital ratio (%)</b>	<b>14.8%</b>	<b>15.8%</b>	<b>16.5%</b>
<b>Total capital ratio TCR (%)</b>	<b>16.6%</b>	<b>17.7%</b>	<b>18.4%</b>

<sup>(\*)</sup> Data have been recalculated taking into account the retrospective recognition of part of the profit, in accordance with the EBA position expressed in Q&A 2018\_3822 and Q&A 2018\_4085.

Total Capital Ratio of Pekao Group as at the end of June 2022 was lower by 1.8 p.p. compared to the end of June 2021, mainly due decrease of own funds by 2.7% and higher capital requirements by 8.3%. Common equity Tier I Capital Ratio of Pekao Group as at the end of June 2022 was lower by 1.7 p.p. compared to the end of June 2021.

Decrease of own funds for total capital ratio results mainly from decrease of HTC&S portfolio valuation and lower IFRS 9 and HTC&S transitional period.

Increase of total capital requirement results mainly from higher credit risk capital requirement resulting mainly from increase of loan volumes and operational risk capital requirement mainly due to increase of provisions for loans denominated in foreign currencies.

## 8.8 Reconciliation of income statement – presentation form and long form

### 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 2022
<b>Net interest income</b>	<b>Net interest income</b>	<b>4,635,595</b>
<b>Net fee and commission income</b>	<b>Net fee and commission income</b>	<b>1,420,854</b>
Dividend income	Dividend income	26,350
Trading result	-	4,709
	Net result on other financial instruments at fair value through profit and loss	13,647
	Result on fair value hedge accounting	2,367
	(Gains) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(11,305)
Net other operating income and expenses	Net other operating income and expenses	(175,985)
	Operating income	52,494
	Operating expenses	(228,479)
<b>Net non-interest income</b>	-	<b>1,275,928</b>
<b>Operating income</b>	-	<b>5,911,523</b>
<b>Operating costs</b>	-	<b>(2,063,593)</b>
	General administrative expenses, depreciation and amortization	(3,244,287)
	less – Bank Guarantee Fund fee	324,259
		440,302
	less – Tax on certain financial institutions	416,133
<b>Gross operating profit</b>	-	<b>3,847,930</b>
Net allowances for expected credit losses	Net allowances for expected credit losses	(665,019)
<b>Net operating profit</b>	-	<b>3,182,911</b>
Bank Guarantee Fund fee	Bank Guarantee Fund fee	(324,259)
Fee paid for the Protection Schemes	Fee paid for the Protection Schemes	(440,302)
Tax on certain financial institutions	Tax on certain financial institutions	(416,133)
Gains (losses) on associates	-	1,657
<b>Profit before income tax</b>	<b>Profit before income tax</b>	<b>2,003,874</b>
Income tax expense	Income tax expense	(627,253)
<b>Net profit for the period</b>	<b>Net profit for the period</b>	<b>1,376,621</b>
<b>Attributable to equity holders of the Bank</b>	<b>Attributable to equity holders of the Bank</b>	<b>1,375,090</b>
Attributable to non-controlling interest	Attributable to non-controlling interest	1,531

**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
<b>Net interest income</b>	<b>Net interest income</b>	<b><u>2,673,051</u></b>
<b>Net fee and commission income</b>	<b>Net fee and commission income</b>	<b><u>1,288,617</u></b>
Dividend income	Dividend income	25,597
Trading result	-	129,819
	Net result on other financial instruments at fair value through profit and loss	<u>93,166</u>
	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	3,215
	Operating income	<u>46,681</u>
	Operating expenses	<u>(43,466)</u>
<b>Net non-interest income</b>	-	<b>1,447,248</b>
<b>Operating income</b>	-	<b>4,120,299</b>
<b>Operating costs</b>	-	<b>(1,970,768)</b>
	General administrative expenses, depreciation and amortization	(2,556,142)
	less – Bank Guarantee Fund fee	232,218
	less – Tax on certain financial institutions	353,156
<b>Gross operating profit</b>	-	<b>2,149,531</b>
Net allowances for expected credit losses	Net allowances for expected credit losses	<u>(367,933)</u>
<b>Net operating profit</b>	-	<b>1,781,598</b>
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
<b>Profit before income tax</b>	<b>Profit before income tax</b>	<b>1,196,579</b>
Income tax expense	Income tax expense	(345,125)
<b>Net profit for the period</b>	<b>Net profit for the period</b>	<b>851,454</b>
<b>Attributable to equity holders of the Bank</b>	<b>Attributable to equity holders of the Bank</b>	<b>850,428</b>
Attributable to non-controlling interest	Attributable to non-controlling interest	1,026

## 9. Quarterly Income Statement

### 9.1 Consolidated income statement – long form

Consolidated income statement for 2022 and 2021 - Provided for comparability purposes.

(in PLN thousand)

	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Interest income	3,058,208	2,254,139	1,670,439	1,430,228	1,364,910	1,404,779
Interest income calculated using the effective interest method	3,090,641	2,183,403	1,574,704	1,354,688	1,296,270	1,336,590
Financial assets measured at amortised cost	2,967,493	2,073,383	1,476,990	1,259,802	1,180,899	1,191,489
Financial assets measured at fair value through other comprehensive income	123,148	110,020	97,714	94,886	115,371	145,101
Other interest income related to financial assets measured at fair value through profit or loss	(32,433)	70,736	95,735	75,540	68,640	68,189
Interest expense	(491,699)	(185,053)	(69,787)	(43,170)	(25,458)	(71,180)
<b>Net interest income</b>	<b>2,566,509</b>	<b>2,069,086</b>	<b>1,600,652</b>	<b>1,387,058</b>	<b>1,339,452</b>	<b>1,333,599</b>
Fee and commission income	866,981	836,184	849,692	842,719	800,788	736,798
Fee and commission expense	(151,121)	(131,190)	(154,451)	(139,062)	(128,034)	(120,935)
<b>Net fee and commission income</b>	<b>715,860</b>	<b>704,994</b>	<b>695,241</b>	<b>703,657</b>	<b>672,754</b>	<b>615,863</b>
Dividend income	26,074	276	3	1,062	25,597	-
Result on financial assets and liabilities measured at fair value through profit or loss and foreign exchange result	(39,778)	53,425	9,482	27,197	64,559	28,607
Result on fair value hedge accounting	1,197	1,170	723	335	847	1,799
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(7,095)	(4,210)	(7,061)	2,917	23,194	10,813
Net allowances for expected credit losses	(530,575)	(134,444)	(232,127)	(178,138)	(191,900)	(176,033)
Operating income	23,884	28,610	46,019	28,846	27,944	18,737
Operating expenses	(199,060)	(29,419)	(69,134)	(25,146)	(28,495)	(14,971)
General administrative expenses, depreciation and amortization	(1,797,035)	(1,447,252)	(1,091,843)	(1,099,275)	(1,139,277)	(1,416,865)
Gains (losses) on associates	565	1,092	3,880	693	355	-
<b>PROFIT BEFORE INCOME TAX</b>	<b>760,546</b>	<b>1,243,328</b>	<b>955,835</b>	<b>849,206</b>	<b>795,030</b>	<b>401,549</b>
Income tax expense	(291,813)	(335,440)	(262,096)	(217,841)	(189,672)	(155,453)
<b>NET PROFIT</b>	<b>468,733</b>	<b>907,888</b>	<b>693,739</b>	<b>631,365</b>	<b>605,358</b>	<b>246,096</b>
<b>Attributable to equity holders of the Bank</b>	<b>467,925</b>	<b>907,165</b>	<b>693,689</b>	<b>630,780</b>	<b>604,780</b>	<b>245,648</b>
Attributable to non-controlling interests	808	723	50	585	578	448

(\*) 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 2022 and 2021

(in PLN thousand)

	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
<b>Net profit</b>	<b>468,733</b>	<b>907,888</b>	<b>693,739</b>	<b>631,365</b>	<b>605,358</b>	<b>246,096</b>
<b>Other comprehensive income</b>						
<b>Item that are or may be reclassified subsequently to profit or loss:</b>						
Impact of revaluation of debt financial instruments and loan measured at fair value through other comprehensive income (net):	(297,356)	(454,162)	(700,846)	(97,002)	(274,631)	(200,938)
Profit or loss on fair value measurement	(295,037)	(449,834)	(697,980)	(94,533)	(257,773)	(194,753)
Profit or loss reclassification to income statement after derecognition	(2,319)	(4,328)	(2,866)	(2,469)	(16,858)	(6,185)
Impact of revaluation of derivative instruments hedging cash flows (net)	(987,309)	(800,343)	(1,132,204)	(232,201)	(100,101)	(271,771)
<b>Items that will never be reclassified to profit or loss:</b>						
Impact of revaluation of investments in equity instruments designated at fair value through other comprehensive income (net)	(45,946)	(21,309)	(23,774)	(36,638)	31,262	35,952
Remeasurements of the defined benefit liabilities (net)	14,251	-	38,710	-	-	-
<b>Other comprehensive income (net of tax)</b>	<b>(1,316,360)</b>	<b>(1,275,814)</b>	<b>(1,818,114)</b>	<b>(365,841)</b>	<b>(343,470)</b>	<b>(436,757)</b>
<b>Total comprehensive income</b>	<b>(847,627)</b>	<b>(367,926)</b>	<b>(1,124,375)</b>	<b>265,524</b>	<b>261,888</b>	<b>(190,661)</b>
<b>Attributable to equity holders of the Bank</b>	<b>(848,435)</b>	<b>(368,649)</b>	<b>(1,124,462)</b>	<b>264,939</b>	<b>261,310</b>	<b>(191,109)</b>
Attributable to non-controlling interests	808	723	87	585	578	448

## 9.3 Consolidated income statement – presentation form

### Consolidated income statement for 2022 and 2021

(in PLN thousand)

	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
<b>Net interest income</b>	<b>2,566,509</b>	<b>2,069,086</b>	<b>1,600,652</b>	<b>1,387,058</b>	<b>1,339,452</b>	<b>1,333,599</b>
Net fee and commission income	715,860	704,994	695,241	703,657	672,754	615,863
Dividend income	26,074	276	3	1,062	25,597	-
Trading result	(45,676)	50,385	3,144	30,449	88,600	41,219
Net other operating income and expenses	(175,176)	(809)	(23,115)	3,700	(551)	3,766
<b>Net non-interest income</b>	<b>521,082</b>	<b>754,846</b>	<b>675,273</b>	<b>738,868</b>	<b>786,400</b>	<b>660,848</b>
<b>Operating income</b>	<b>3,087,591</b>	<b>2,823,932</b>	<b>2,275,925</b>	<b>2,125,926</b>	<b>2,125,852</b>	<b>1,994,447</b>
Operating costs	(1,085,318)	(978,275)	(875,464)	(892,798)	(932,720)	(1,038,048)
<b>Gross operating profit</b>	<b>2,002,273</b>	<b>1,845,657</b>	<b>1,400,461</b>	<b>1,233,128</b>	<b>1,193,132</b>	<b>956,399</b>
Net allowances for expected credit losses	(530,575)	(134,444)	(232,127)	(178,138)	(191,900)	(176,033)
<b>Net operating profit</b>	<b>1,471,698</b>	<b>1,711,213</b>	<b>1,168,334</b>	<b>1,054,990</b>	<b>1,001,232</b>	<b>780,366</b>
Bank Guarantee Fund fee	(57,040)	(267,219)	(29,969)	(27,120)	(28,861)	(203,357)
Fee paid for the Protection Schemes	(440,302)					
Tax on certain financial institutions	(214,375)	(201,758)	(186,410)	(179,357)	(177,696)	(175,460)
Gains (losses) on associates	565	1,092	3,880	693	355	-
<b>Profit before income tax</b>	<b>760,546</b>	<b>1,243,328</b>	<b>955,835</b>	<b>849,206</b>	<b>795,030</b>	<b>401,549</b>
Income tax expense	(291,813)	(335,440)	(262,096)	(217,841)	(189,672)	(155,453)
<b>Net profit</b>	<b>468,733</b>	<b>907,888</b>	<b>693,739</b>	<b>631,365</b>	<b>605,358</b>	<b>246,096</b>
<b>Attributable to equity holders of the Bank</b>	<b>467,925</b>	<b>907,165</b>	<b>693,689</b>	<b>630,780</b>	<b>604,780</b>	<b>245,648</b>
Attributable to non-controlling interest	808	723	50	585	578	448

## 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 2022.

### 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 quarter of 2022 and as at the date of submitting of Report on the activities of Bank Pekao S.A. Group for the 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 33 to the Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the first half of 2022.

### 10.4 Information on derivative financial instruments and hedge accounting

Information on derivative financial instruments and hedge accounting is included in Note 25 to the Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the first half of 2022.

### 10.5 Related party transactions

In the first half of 2022, 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 2022, 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 35 to the Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the first half of 2022.

### 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 2022.

### 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 726.7 (principal value) as at the end of June 2022. There are 5 issuance of Structured Certificates of Deposit open in PLN with the maximum maturity date on 4 April, 2023.

#### Certificates of Deposit

Certificates of Deposit are investment products denominated in PLN that guarantee 100% protection of invested funds also in case of termination before redemption date. The total value of the Bank's liabilities under these products amounted to PLN 2,000.0 million (principal value) as at the end of June 2022. There are 2 issuances of Certificates of Deposit, with the maximum maturity date on 15 September, 2022.

**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 935.9 million (principal value) as at the end of June 2022. Liabilities from covered bonds with maturity up to 1 year account for 9.5%, up to 2 years account for 12.7%, up to 3 years account for 32.4%, up to 5 years account for 29.0%, up to 10 years account for 16.5% of the total nominal value.

**Pekao Bank Hipoteczny S.A. bonds**

The total value of the company's liabilities under bonds amounted to PLN 7.0 million (principal value) as at the end of June 2022 with maturity date up to 6 months the total nominal value.

**Pekao Leasing Sp. z o.o. bonds**

The total value of the company's liabilities under bonds amounted to PLN 1,037.1 million (principal value) as at the end of June 2022 with maturity date up to 3 months account for 23.2%, up to 6 months account for 62.5%, and up to 2 years account for 14.3% 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 3 months amounted to PLN 2,642.9 million (principal value) as at the end of June 2022.

## 10.9 Information on dividend and appropriation of profit achieved

On 15 June 2022 the Ordinary General Meeting of the Bank adopted the resolution on the distribution of profit of the Bank for the year 2021.

According to the Resolution:

1. The net profit of Bank for the year 2021 in the amount of PLN 2,236,829,360.84 is distributed as follows:
  - the amount of PLN 1,108,208, 214.64 is allocated to the reserve capital.
  - the amount of PLN 1,128,621,146.20 is allocated to the dividend,
2. the amount of the dividend per share is PLN 4.30
3. the dividend date is 25 July 2022,
4. the dividend payment date is 4 August 2022.

## 10.10 Subsequent events

On 14 July 2022, the Act on social financing for business ventures and support to borrowers (the 'Act') was signed, as a result of which events after the balance sheet date have occurred/will occur affecting the Group's future financial results, i.e. .:

- 1) the right to suspend loan repayment for consumers with PLN mortgage loan agreements

Pursuant to the Act, consumers with PLN mortgage loan agreements were granted the right to suspend loan repayment under the following conditions:

- a) from 1 August 2022 to 30 September 2022 – for a period of two months,
- b) from 1 October 2022 to 31 December 2022 - for a period of two months,
- c) from 1 January 2023 to 31 December 2023 - one month in each calendar quarter.

Pursuant to the requirements of the International Financial Reporting Standard 9 'Financial Instruments' ('IFRS 9'), the entitlement for customers to suspend their loan repayments introduced by the provisions of the Act requires the adjustment of the gross carrying amount of the abovementioned loans by designating and recognizing in the Group's financial result the estimated cost resulting from the above-mentioned permissions as the difference between:

- 1) the present value of the expected cash flows from the loan portfolio that meets the criteria of the Act (gross carrying amount of this portfolio),
- 2) the present value of the expected cash flows of the portfolio, determined based on the modified cash flows taking into account the terms of the Act (i.e. the possibility of suspending the repayment of loan installments within the specified time frame with the simultaneous extension of the loan period) discounted with the current effective interest rate of the above-mentioned portfolio,

taking into account the estimated level of participation of eligible customers who, in the Group's opinion, will exercise this right.

The Group assumed expertly that the estimated participation rate (using the rights resulting from the Act) would be 85%.

As a result of the above, the Group estimated the cost related to the modification of PLN mortgage loan agreements granted to consumers due to the suspension of their loan repayments at the gross amount of PLN 2.428.649 thousand. This cost will be recognized in the Group's results in the third quarter of 2022, which will result in a negative financial result for the third quarter of 2022.

If we assume that the participation ratio is 100%, the above cost would amount to PLN 2.857.234 thousand.

Due to the fact that the above calculation is an estimate of the expected use by customers of the rights resulting from the Act, and the actual implementation will take place in the period specified in the Act, i.e. from the third quarter of 2022 to the end of 2023 under the conditions specified in the Act, it is necessary will periodically update the above-mentioned calculations - in particular with regard to the estimated level of customer participation - and recognition of any revaluation in the current financial results of the Group.



## 2) payment to the Borrowers Support Fund

Under the Act, lenders were required to make additional contributions to the Borrowers Support Fund in the total amount of PLN 1.4 billion by 31 December 2022. The exact payment date and the amount of the fee for a given lender will be determined by a resolution by the Council of the Borrowers Support Fund, and the determination of the fee level for a given bank will be primarily impacted by the following factors:

- a) the share of a given bank in the gross book value of the portfolio of housing loans where the delay in repayment of principal or interest exceeds 90 days compared to the entire banking sector in Poland,
- b) possible exclusion from the obligation to make payments to the Borrowers Support Fund some lenders that do not meet the regulatory capital and liquidity requirements.

Taking into account the limited availability of data on the above factors, in particular the possible exclusion from the obligation to make payments to the Borrowers Support Fund, the Group was not able to reliably estimate its share in the additional payment to the Borrowers Support Fund.

The final amount of the payment to the Borrowers Support Fund by the Group will be known after its determination by the Council of the Borrowers Support Fund.

## 3) introduction of a substitute for the WIBOR reference index

The Act provides for the possibility of introducing a substitute for the WIBOR reference index, with the details of the substitute and the date of its introduction being determined by a dedicated regulation of the Minister of Finance.

In connection with the above, in July 2022, a national working group for the reform of reference indexes ('NGR') was established from representatives of the Ministry of Finance, the National Bank of Poland, the Office of the Polish Financial Supervision Authority, as well as the largest banks, insurance companies and investment companies.

The purpose of NGR is to prepare a new index and a schedule for its implementation in such a way as to ensure the security of the financial system.

As at the date of approval of this report, taking into account the early stage of work related to the introduction of a substitute for the WIBOR benchmark, the Group was not able to reliably estimate the possible impact of this planned change.

### **Increase of the share capital of Pekao Bank Hipoteczny S.A.**

On July 15, 2022, the District Court for the Capital City of Warsaw, XIII Commercial Division of the National Court Register entered an increase in the share capital of Pekao Bank Hipoteczny S.A. by the amount of PLN 65,000,000 through the issue of 650 Shares Series J, with a nominal value of PLN 100,000 each and an issue price equal to the nominal price, ie PLN 100,000 per share. All shares were acquired by Bank Pekao S.A. (the shares were offered only to Bank Pekao S.A. by private subscription pursuant to Article 431 § 2 point 1 of the Commercial Companies Code). Following the increase, the share capital of Pekao Bank Hipoteczny S.A. amounts to PLN 323,000,000.

## 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 2022 and Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the first half of 2022 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 2022 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 2022 and Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the first half of 2022 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.

03.08.2022 Date	Leszek Skiba Name/Surname	President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
03.08.2022 Date	Jarosław Fuchs Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
03.08.2022 Date	Marcin Gadomski Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
03.08.2022 Date	Jerzy Kwieciński Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
03.08.2022 Date	Paweł Strączyński Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
03.08.2022 Date	Błażej Szczecki Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
03.08.2022 Date	Wojciech Werochowski Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
03.08.2022 Date	Piotr Zborowski Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
03.08.2022 Date	Magdalena Zmitrowicz Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature